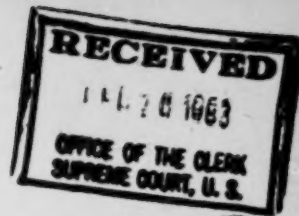


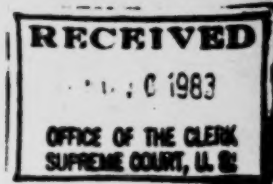
ORIGINAL

IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM 1983



NO. 82-1349
COURT OF APPEALS SIXTH CIRCUIT

NO. 79-74777
DISTRICT COURT OF MICHIGAN



83-6264

WILLIS W. CHAPMAN, APPELLANT
VS

MICHIGAN NATIONAL BANK OF DETROIT
SUBSIDIARIE, OF MICHIGAN NATIONAL
CORPORATION, a bank holding company,
APPELLEES

JURISDICTIONAL STATEMENT

JOSEPH E. BOLTEZ, C.
200 West 14 Mile Road
Farmington, Michigan 48017

WILLIS W. CHAPMAN PRO PER
677 Commercial Street
Highland Park, Michigan 4820
313 235-6770 ext.
313 235-7659 Mather
313 956-9064 Res.

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APPENDIX (S) MICHIGAN NATIONAL BANK OF DETROIT'S LETTER DATED JULY 25, 1977, DENIAL OF CREDIT ** BASED UPON " inadequate collateral", LEONARD FRIEDMAN'S PROPERTY 7000 Longo Ave.

APPENDIX (T) MICHIGAN NATIONAL BANK OF DETROIT'S CREDIT DENIAL STATEMENT, DATED NOV. 17, 1978 ** BASED UPON " inadequate collateral", LARCO'S INN. property 7525 West McNichols Road Detroit, Michigan

TABLE OF AUTHORITIES

12 USC371 COMPTROLLER'S HANDBOOK FOR NAT'L BANK EXAMINERS Sec.213.1 p 1
COMMUNITY RE-INVESTMENT ACT 1977, 12 USC Sec. 2901-2905
42 USC Sec. 1981, Civil Rights Law of 1870
EQUAL CREDIT OPPORTUNITY ACT ,15 USC Sec. 1691-1691f
CIVIL RIGHTS ACT 1866,42 USC Sec. 1983
FOURTEENTH AMENDMENT, THE.EQUAL PROTECTION CLAUSE
EQUAL EMPLOYMENT OPPORTUNITY ACT, 42 USC Sec. 1981
FEDERAL RESERVE BOARD REGULATION "B" Sec. 229.7
MICHIGAN ANTI-REDLINING STATUTE (M.C.L.A. ss 445. 1601-1604)

CASES

CASE The U.S. Supreme Court, never HEARD a COMMUNITY RE-INVESTMENT
U.S. vs SUMMER ADVERTISING AGENCY, INC. SA-78 CA 199 (W.D.
Tx. Sept.22,1978)
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION vs MacMILLAN
BLOEDEL CONTAINERS, INC. 503 F. 2d 1086, 1093-94 (6th Cir.
1974)
BOHN ALUMINUM & BRASS CORP. vs STORM KING CORP. 303 F 2d 424,
427 (6th Cir 1962)
S.J. GROVES & SONS CO. vs OHIO TURNPIKE COMMISSION, 315 F 2d
235, 237 (6th Cir.), cert.denied, 375 U.S. 84 S. Ct. 65, 11
L. Ed. 2d, 57 (1983)
JONES, ET. UX. vs ALFRED H. MAYER CO. ET. AL. 392 USC 409,
MICHIGAN COMMITTEE ON LAW AND HOUSING FILED A CHALLENGE
AGAINST MICHIGAN NATIONAL BANK OF DETROIT IN 1979, by the
FEDERAL RESERVE BOARD REGULATIONS "B", a PATTERN OF
DISCRIMINATION WAS THE REASON FOR FILING THE CHALLENGE.

JURISDICTIONAL STATEMENT

The final ORDER OF THE SIXTH CIRCUIT COURT OF APPEALS DENYING APPELLANT'S MOTION FOR REHEARING, EN BANC, entered in this action on June 14, 1983, and hereby Appeals from the final ORDER of the UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF MICHIGAN SOUTHERN DIVISION, entered in this cause on January 28, 1982, whereby it was adjudged that the Appellant's cause of action be dismissed, by way of Appellees' ENTRY OF ORDER OF SUMMARY JUDGMENT.

The OPINION MISAPPREHENDS THE FACTS, in the OPINION and Judgment of the Lower Court and the Appeals Court based upon, "United States District Judge Patricia J. Boyle granted summary judgment on January 28, 1982 with respect to Chapman's claim of discrimination by use of "market value rather than "replacement cost" as a method to appraise his collateral", On March 30, 1982, after defendants filed supplement affidavits, Judge Boyle also granted summary judgment against Chapman on his remaining claim of disparate treatment in valuating his collateral.

AN EXTRA JUDICIAL OPINION was given on - QUESTIONS that was not necessary to decide in the case in which it was given (Warner vs the Uncle Sam 9 Cal. 697, 732,) on a point which was not then the point in question, or a proposition generally expressed, and which the case, or the circumstances of the case did not call for, or an opinion on a point which was not the point argued before the Courts by the APPELLANT based upon the Complaint. The Courts pronounced its judgment on an opinion not called for by the Complaint and which was unnecessary to give. (Bellingham Bay Inpr. Co vs New Whatcon 20 Wash. 53,58,54)

That the U.S. District Court and The Sixth Circuit Court of Appeals has ERRORED IN ITS JUDICIAL REVIEW in assuring Appellant's RIGHTS offered by the Acts established by CONGRESS and the U.S. CONSTITUTION CHAPMAN'S CLAIMS OF DISCRIMINATION IS BASED UPON EQUAL CREDIT OPPORTUNITY ACT 15 USC Sec. 1691-1691f, FOURTEENTH AMENDMENT, EQUAL EMPLOYMENT OPPORTUNITY ACT 42 USC Sec. 1981, Civil Rights Act 1866, 42 USC Sec. 1983, Community Re-Investment Act 1977 12 USC Sec. 2901-2905, etc;
QUESTIONS

(a) UNLAWFUL DENIAL OF CREDIT

(b) DEPRIVED APPELLANT and FAMILY FROM SELF-EMPLOYMENT
AND THE MAIN STREAM OF AMERICAN'S ECONOMY

This is Appellant's claim of discrimination, that the MICHIGAN BANK OF DETROIT ISSUED CREDIT DENIAL STATEMENT BASED UPON, " INADEQUATE COLLATERIAL", WITH-OUT MAKING AN APPRAISAL in 1978; this is the UNLAWFUL REJECTION OF APPELLANTS' CREDIT, which is a WHITE COLLAR CRIME and yet

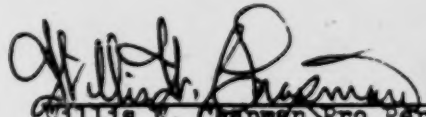
one year and one month later on Dec.13,1979 MICHIGAN NATIONAL BANK OF DETROIT'S GROUP VICE PRESIDENT MR. STUART H. MAHLER SAID THE COLLATERAL IS EVALUATED FOR \$769,000.00 with a \$369,000.00 APPREISAL SURPLUS, this PROVES THAT THE APPELLANT'S SBA LOAN APPLICATION MADE on Oct. 2,1978 should not have been denied on Nov.14,1978 by the Appellees based upon " INADEQUATE COLLATERAL ", this is the White Collar Crime of Unlawful Denial of Credit, IS THE DISCRIMINATORY INTENT & DISCRIMINATORY EFFECT.

This is why Appellant says the OPINION MISAPPREHENDS THE FACTS in the OPINION and JUDGMENT OF THE LOWER COURT and the APPEALS COURT based upon such a ORDER which was IMPROPERLY MADE, has and did PREJUDICE the RIGHTS of the APPELLANT, because of the LACK of EQUAL JUSTICE UNDER LAWS OF CONGRESS, and EQUAL PROTECTION UNDER THE CONSTITUTION OF THE UNITED STATES.

The question sought to be reviewed was raised in the Court of first instance and it is the contention of the Appellant that the Trail Court never address the UNLAWFUL DENIAL OF CREDIT BY Mrs. Dorothy Little representative of MICHIGAN NATIONAL BANK OF DETROIT ON NOV. 14, 1978.

Appellant Prays that the Order of Summary Judgment of Trial Court be Reversed and that a Judgment of no cause of Action be entered in favor of Appellant, and that a new trial be GRANTED.

Dated December 13,1983


Willis W. Chapman Pro Per
APPELLANT

24 Connecticut St
Highland Park, Michigan 48203
313 255-6770 Off.
313 584-7659 Mother's #
313 956-9064 Res

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

FILED

JUN 14 1983

JOHN P. HEHMAN, Clerk

WILLIS W. CHAPMAN,

Plaintiff-Appellant,

ORDER

v.

MICHIGAN NATIONAL BANK,

Defendant-Appellee.

Before: ENGEL and CONTIE, Circuit Judges; and PECK, Senior Circuit Judge.

Willis W. Chapman brought suit alleging that Michigan National Bank of Detroit and Michigan National Corporation ("the defendants") denied him credit on the basis of his race in violation of 42 U.S.C. § 1981 and 15 U.S.C. § 1691 et seq. On defendants' motion for summary judgment, United States District Judge Patricia J. Boyle granted summary judgment on January 28, 1982 with respect to Chapman's claim of discrimination by use of "market value" rather than "replacement cost" as a method to appraise his collateral. On March 30, 1982, after defendants filed supplemental affidavits, Judge Boyle also granted summary judgment against Chapman on his remaining claim of disparate treatment in valuating his collateral. Chapman appeals challenging the grants of summary judgment.

Upon a careful examination of the record as a whole, the court is of the opinion that Judge Boyle did not err in granting a summary judgment in favor of the defendants. Chapman claimed that the bank refused to accept as the basis for evaluation a figure based

upon the replacement cost of the property, while such replacement cost was permitted as the basis for the advance of the loan of a white customer of the bank. Based upon affidavits and evidence submitted before the district judge, it appeared that the premise that the bank loaned money solely on the basis of replacement cost of the property was incorrect. Chapman, although having been accorded ample opportunity, was unable to present any evidence which would raise a material dispute of fact on that question. / Similarly, Chapman offered no evidence rebutting defendants' affidavits, which stated that defendants did not conduct an appraisal but adopted Chapman's proffered purchase price as fair market value of the property and that use of the figure was proper. / Considering the evidence in a light most favorable to Chapman, no issue of fact regarding disparate treatment was raised. Accordingly,

*Affidavits
suggested to
begin with
Office of
Counsel
Investigation
not
Document*

IT IS ORDERED that the judgment of the district court is affirmed.

ENTERED BY ORDER OF THE COURT

John P. Blum
Clerk

No. 82-1349

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

FILED

SEP 7 1983

JOHN P. HEHMAN, Clerk

WILLIS W. CHAPMAN,

Plaintiff-Appellant,

v.

ORDER

MICHIGAN NATIONAL BANK,

Defendant-Appellee.

Before: ENGEL and CONTIE, Circuit Judges; and PECK, Senior Circuit Judge.

No judge in regular active service of the court having requested a vote on the suggestion for a rehearing en banc, the petition for rehearing filed herein by the plaintiff-appellant has been referred to the panel which heard the original appeal. Upon consideration of said petition, the court finding no issues presented which have not been previously considered,

IT IS ORDERED that the petition for rehearing en banc be and it is hereby denied.

ENTERED BY ORDER OF THE COURT

John P. Hehman
Clerk

①
UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WILLIS W. CHAPMAN,

Plaintiff,

vs.

CIVIL NO. 79-74777

MICHIGAN NATIONAL BANK OF
DETROIT, SUBSIDIARIE, AND
MICHIGAN NATIONAL CORPORATION,
a bank holding company,

Defendants.

ORDER DENYING DEFENDANTS'
MOTION TO DISMISS BUT GRANTING
ALTNERNATIVE RELIEF

Defendant having filed a Motion to Dismiss urging that dismissal is appropriate because plaintiff has failed to provide adequate answers to certain interrogatories, defendants' Motion having come on for hearing before the undersigned Magistrate on October 26, 1981 and for the reasons stated from the bench at the conclusion of the hearing on the said Motion,

IT IS ORDERED that defendants' Motion to Dismiss be and the same is hereby DENIED. As alternative relief, plaintiff is directed to file a further response to Interrogatory No. 5 providing to the defendant the additional information sought regarding the background and expected testimony of the expert witness referred to in the previous answer given to this Interrogatory. In addition, plaintiff is to furnish to counsel for the defendant a complete list of all exhibits that he will seek to introduce into evidence at the trial of this case and furnish with respect to each such exhibit the information referred to in Interrogatory No. 7. This exhibit list shall be furnished to defendant on or before the date of the next pretrial conference presently set for November 18, 1981

before the District Judge.

Paul J. Henne,
UNITED STATES MAGISTRATE

Dated:

Oct. 30, 1981

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WILLIS W. CHAPMAN,

Plaintiff,

vs.

Civil No. 79-74777
Hon. Patricia J. Boyle

MICHIGAN NATIONAL BANK,

Defendant.

ORDER GRANTING IN PART AND DENYING IN PART
PLAINTIFF'S MOTION TO AMEND COMPLAINT AND
GRANTING IN PART AND DENYING IN PART
DEFENDANT'S MOTION TO DISMISS

Plaintiff having moved this Court for leave to amend his complaint in this matter, and Defendant having opposed the motion by means of a Motion to Dismiss, and the Court having heard oral argument by Plaintiff, representing himself, and by Defendant's counsel,

IT IS HEREBY ORDERED that Plaintiff's Motion to Amend Complaint be granted to allow inclusion of claims sounding in 42 U.S.C. § 1981 and denied as to claims related to the Michigan Anti-Redlining Statute (M.C.L.A. §§ 445.1601-.1614), the Community Reinvestment Act (12 U.S.C. §§ 2901-2905), the Civil Rights Act of 1866 (42 U.S.C. § 1983), and the Equal Protection Clause. Thus, Plaintiff will be permitted to add a claim of violation of 42 U.S.C. § 1981 to his existing claim of violation of the Equal Credit Opportunity Act (15 U.S.C. §§ 1691-1691f).

IT IS HEREBY FURTHER ORDERED that Defendant's Motion to Dismiss claims sought to be added be granted as to those claims listed above that will not be included in the Third Amended Complaint. As to the claim under 42 U.S.C. § 1981, Defendant's Motion to Dismiss is hereby denied.

IT IS SO ORDERED.

Dated: JUN 18 1981
Detroit, Michigan

Patricia J. Boyle
PATRICIA J. BOYLE
United States District Judge

A TRUE COPY

CLERK, U. S. DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN

BY *[Signature]*
DEPUTY CLERK

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WILLIS CHAPMAN,

Plaintiff,

vs.

Civil No. 79-74777

Hon. Patricia J. Boyle

MICHIGAN NATIONAL BANK,

Defendant.

ORDER GRANTING IN PART AND DENYING IN PART
MOTIONS TO DISMISS AND TO AMEND COMPLAINT

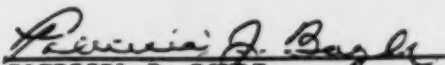
Plaintiff having moved to amend his complaint, and Defendant having moved to dismiss those claims proposed to be added, and the Court having heard oral argument of the motions,

IT IS HEREBY ORDERED that Plaintiff's complaint, which now includes a claim sounding in the Equal Credit Opportunity Act, shall be amended to include a claim based on 42 U.S.C. § 1981. In all other respects, including claims based on the Michigan Anti-Redlining statute [MCLA §§ 445.1601-.1614], the Community Reinvestment Act [12 U.S.C. §§ 2901-2905], Title VII of the Housing Community Development Act, the Equal Protection Clause of the Fourteenth Amendment, the Equal Employment Opportunity Act, and 42 U.S.C. § 1983, Plaintiff's Motion to Amend Complaint shall be DENIED.

IT IS HEREBY FURTHER ORDERED that Defendant's Motion to Dismiss be DENIED as it relates to Plaintiff's amendment to include 42 U.S.C. § 1981, and GRANTED as to Plaintiff's other proposed amendments to the complaint.

The parties have advised the Court that they have stipulated to service of the Amended Complaint by mail.

IT IS SO ORDERED.


PATRICIA J. BOYLE
United States District Judge

Dated: JUL 08 1981

A TRUE COPY

CLERK, U. S. DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN

BY 

DEPUTY CLERK

6
UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WILLIS CHAPMAN,

Plaintiff,

vs.

Civil No. 79-74777
Hon. Patricia J. Boyle

MICHIGAN NATIONAL BANK,

Defendant.

ORDER CLARIFYING ORDER CONCERNING AMENDMENT OF COMPLAINT

The parties having appeared before the Court on August 7, 1981, for a status conference, and it appearing that Plaintiff has filed an Amended Complaint that contains several of the claims already addressed and excluded by previous orders of this Court, and it appearing that further clarification of what claims can properly be included in any amended complaint to be filed by Plaintiff,

IT IS HEREBY ORDERED that Plaintiff shall redraft and refile an amended complaint containing only those claims allowed by this Court's order of July 8, 1981. Those claims concern the Equal Credit Opportunity Act [15 U.S.C. §§ 1691-1691f], and one section of the Civil Rights Law of 1870, 42 U.S.C. § 1981. That complaint shall be titled "Fourth Amended Complaint."

IT IS HEREBY FURTHER ORDERED that Plaintiff shall file this Fourth Amended Complaint by August 24, 1981. The Defendant having previously agreed to accept service of an amended complaint by mail upon the attorney for Defendant, service of this Fourth Amended Complaint may be made upon Defendant's counsel.

IT IS SO ORDERED.

Dated: AUG 21 1981
Detroit, Michigan

Patricia J. Boyle
PATRICIA J. BOYLE
UNITED STATES DISTRICT JUDGE

A TRUE COPY

CLERK, U. S. DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN

BY *Kel Humphrey*
DEPUTY CLERK

H

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WILLIS W. CHAPMAN,

Plaintiff,

vs

No. 79-74777

HON. PATRICIA J. BOYLE

MICHIGAN NATIONAL BANK OF DETROIT,
SUBSIDIARIE, AND MICHIGAN NATIONAL
CORPORATION, a bank holding company,

Defendants.

ORDER GRANTING MOTION TO STRIKE, GRANTING IN
PART AND DENYING IN PART MOTION FOR SUMMARY
JUDGMENT, DENYING MOTION TO DISMISS, AND
DENYING PLAINTIFF'S MOTION TO COMPEL
ANSWERS TO INTERROGATORIES

At a session of said Court held in the U.S.
Courthouse in the City of Detroit, County of
Wayne, State of Michigan on the ____ day of
September, 1981.

PRESENT: HONORABLE PATRICIA J. BOYLE
United States District Judge

The above-entitled matter having come on regularly
before the Court on Defendants' Motion to Strike, Motion for
Partial Summary Judgment, and Motion to Dismiss, and the Court
having further determined to waive the requirements of Rule
17(g) of the Local Rules of this Court and to proceed upon
Plaintiff's Motion to Compel Answers to Interrogatories; the
parties having appeared, Plaintiff WILLIS W. CHAPMAN appearing
in pro se and Defendants appearing by counsel; oral argument
having been had, and the Court being fully advised in the
premises;

IT IS ORDERED THAT summary judgment, pursuant to the pro-
visions of Fed. R. Civ. Proc. 56(b) be, and the same hereby is,
entered in favor of Defendants MICHIGAN NATIONAL CORPORATION and
against Plaintiff WILLIS W. CHAPMAN, upon the claim alleged
under the Equal Credit Opportunity Act, 15 U.S.C. §1691, et
seq., for the reason that Defendant Michigan National
Corporation is not a "creditor" as defined therein, and the

Complaint is, upon said claim as alleged against Defendant MICHIGAN NATIONAL CORPORATION, and the same shall be dismissed. Pursuant to the provisions of Fed. R. Civl. Proc. 54(b), the Court finds that there is no just cause for delay in the entry of this judgment, and the Clerk of the Court is expressly directed to enter partial summary judgment as indicated herein.

IT IS FURTHER ORDERED THAT summary judgment, pursuant to the provisions of Fed. R. Civ. Proc. 56(b) be, and the same hereby is, entered in favor of Defendants MICHIGAN NATIONAL CORPORATION and MICHIGAN NATIONAL BANK OF DETROIT and against Plaintiff WILLIS W. CHAPMAN, for all claims brought under 42 U.S.C. §1981 which accrued, if at all, prior to April 19, 1977, for the reason that the same are barred by the applicable statute of limitations, and the Complaint is, upon said claims as alleged against Defendants MICHIGAN NATIONAL CORPORATION and MICHIGAN NATIONAL BANK OF DETROIT, and the same shall be, dismissed. Pursuant to the provisions of Fed. R. Civ. Proc. 54(b), the Court finds that there is no just cause for delay in the entry of this judgment, and the Clerk of the Court is expressly directed to enter partial summary judgment as indicated herein.

IT IS FURTHER ORDERED THAT summary judgment, pursuant to the provisions of Fed. R. Civ. 56(b) be, and the same hereby is, entered in favor of Defendant MICHIGAN NATIONAL BANK OF DETROIT and against Plaintiff WILLIS W. CHAPMAN, for all claims brought under the Equal Credit Opportunity Act, 15 U.S.C. §1591, et seq., which accrued, if at all, prior to April 19, 1978, for the reasons that the same are barred by the applicable statutes of limitations, and the Complaint is, upon said claims as alleged against Defendant MICHIGAN NATIONAL BANK OF DETROIT, and the same shall be, dismissed. Pursuant to the provisions of Fed. R. Civ. Proc. 54(b), the Court finds that there is no just cause of delay in the entry of this judgment, and the Clerk of the Court is expressly directed to enter partial summary judgment as indicated herein.

IT IS FURTHER ORDERED THAT the Motion to Strike is granted, in its entirety. Certain portions of the Motion to Strike have been cured by this Court's Order Clarifying Order Concerning Amendment of Complaint, issued on August 21, 1981. With regard to the prayer for relief contained in the pleading entitled "Fourth Amended Complaint" and previously filed by Plaintiff on August 24, 1981, Plaintiff is directed to file an Amended Complaint, which shall be entitled "Seventh Amended Complaint", which shall be identical in form and content to the pleading entitled "Fourth Amended Complaint" and filed August 21, 1981, except that the request for punitive damages contained therein shall be not greater than One Million Dollars (\$1,000,000.00). This "Seventh Amended Complaint" shall be filed within five (5) days of the date of this Order, and shall be served upon counsel for Defendants by mail. Defendants shall file their answer or otherwise properly respond within twenty (20) days of service of said "Seventh Amended Complaint."

30
Sept.

IT IS FURTHER ORDERED THAT Plaintiff WILLIS W. CHAPMAN shall file his answers to Defendants' Second Interrogatories, complete and in conformity with Fed. R. Civ. Proc. 33 not later than September 30, 1981. Should answers not be filed by that date, Defendants may renew their Motions to Dismiss.

IT IS FURTHER ORDERED THAT Plaintiff WILLIS W. CHAPMAN'S Motion to Compel Answers to Interrogatories is, as to Interrogatory One thereof, denied. As to Interrogatories Two (i) and (j), the Court notes that answers are given. As to the request to compel Defendants to answer Interrogatories Two (a) through (h), the Court takes the Motion under advisement.

IT IS SO ORDERED.

PATRICIA J. BOYLE
United States District Judge

10-25-81 10:00 AM

I

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

CHAPMAN

Plaintiff(s),

-vs-

Case No. 79-74777

MICHIGAN NATIONAL BANK

Hon. Patricia Boyle

Defendant(s).

ORDER OF REFERENCE TO UNITED STATES MAGISTRATE

IT IS ORDERED THAT this matter is referred to United States Magistrate Paul J. Komives for the following purposes:

- ☒ Hearing and determination in accordance with 28 U.S.C. 636(b)(1)(A) of Motion to Dismiss for failure to answer Interrogatories
- ☐ Hearing and recommending disposition in accordance with 28 U.S.C. 636(b)(1)(B) of Motion/Application/Petition
- ☐ Conduct the following pre-trial proceedings
- ☐ To serve as Special Master pursuant to Rule 53, Federal Rules of Civil Procedure, and make reports and findings concerning
- ☐ Other

A copy of this Order of Reference shall be forwarded to the above-named Magistrate by the Clerk.

Detroit, Michigan, this 26th day of October,

19 81.

Patricia J. Boyle
PATRICIA J. BOYLE
United States District Judge

5
UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WILLIS W. CHAPMAN,

Plaintiff,

-vs-

Civil No. 79-74777

MICHIGAN NATIONAL BANK OF DETROIT,
SUBSIDIARIE, AND MICHIGAN NATIONAL
CORPORATION,

Defendants.

ORDER GRANTING PLAINTIFF'S MOTION TO AMEND,
GRANTING IN PART AND DENYING IN PART DEFEN-
DANT'S MOTION TO STRIKE, GRANTING DEFENDANT'S
MOTION FOR PARTIAL SUMMARY JUDGMENT, DENYING
DEFENDANT'S MOTION TO DISMISS, AND DENYING IN
PART PLAINTIFF'S MOTION TO COMPEL ANSWERS TO
INTERROGATORIES

Having reviewed the pleadings and briefs and having heard oral argument on Plaintiff's Motion to Amend Complaint, Defendant's Motion to Strike, Defendant's Motion for Partial Summary Judgment, Defendant's Motion to Dismiss, and Plaintiff's Motion to Compel Answers to Interrogatories and to Compel Production of Documents;

IT IS ORDERED that Plaintiff's Motion to Amend is hereby GRANTED pursuant to Fed.R.Civ.Proc. 15(a). IT IS FURTHER ORDERED that Plaintiff's Complaint as filed be amended by this Order to claim damages in the amount of one million dollars. Defendant shall file an answer to said Complaint within twenty days of service of this Order.

IT IS FURTHER ORDERED that summary judgment, pursuant to the provisions of Fed. R. Civ. Proc. 56(b) be, and the same hereby is, entered in favor of Defendants MICHIGAN NATIONAL CORPORATION and against Plaintiff WILLIS W. CHAPMAN, upon the claim alleged under the Equal Credit Opportunity Act, 15 U.S.C. §1691, et seq., for the reason that Defendant Michigan National Corporation is not a "creditor" as defined therein, and the Complaint is, upon said claim as alleged against Defendant MICHIGAN NATIONAL CORPORATION, and the same shall be dismissed.

IT IS FURTHER ORDERED that summary judgment, pursuant to the provisions of Fed. R. Civ. Proc. 56(b) be, and the same hereby is, entered in favor of Defendants MICHIGAN NATIONAL CORPORATION and MICHIGAN NATIONAL BANK OF DETROIT for all claims brought under 42 U.S.C. § 1981 which accrued prior to April 19, 1977, for the reason that this Court first acquired jurisdiction over Defendants only upon the effectuation of proper service on the Defendants on April 19, 1980, Napier v. Hawthorn Books, Inc., 449 F. Supp. 576, 579 (1978); and for the reason that the applicable statute of limitation on this claim is three years. Marlowe v. Fisher Body, 489 F. 2d 1057 (6th Cir. 1973).

IT IS FURTHER ORDERED that summary judgment, pursuant to the provisions of Fed. R. Civ. Proc. 56(b) be, and the same hereby is, entered in favor of Defendants MICHIGAN NATIONAL CORPORATION and MICHIGAN NATIONAL BANK OF DETROIT for all claims brought under the Equal Credit Opportunity Act, 15 U.S.C. §1691, et seq., which accrued prior to April 19, 1978, for the reason that this Court first acquired jurisdiction over Defendants only upon the effectuation of proper service on the Defendants on April 19, 1980, Napier v. Hawthorn Books, Inc., 449 F. Supp. 576, 579 (1978); and for the reason that the Equal Credit Opportunity Act contains an express statute of limitations of two years. 15 U.S.C. 1691e(f).

IT IS FURTHER ORDERED that Plaintiff WILLIS W. CHAPMAN shall file his answers to Defendants' Second Interrogatories, complete and in conformity with Fed. R. Civ. Proc. 33 not later than September 30, 1981. Should answers not be filed by that date, Defendants may renew their Motions to Dismiss.

IT IS FURTHER ORDERED that Plaintiff Chapman's Motion to Compel Answers to Interrogatories is hereby DENIED as to Interrogatory One. As to the request to compel Defendants to answer Interrogatories Two (a) through (j), this Court takes this Motion under advisement pending a further status conference to be held November 18, 1981 at 9:00 a.m.

IT IS SO ORDERED.

Dated: OCT 14 1981

Patricia J. Boyle
PATRICIA J. BOYLE
United States District Court

Mailed to:

Willis W. Chapman
In Pro Per
8550 Greenfield Rd. #14
Detroit, Michigan 48228

Russ E. Boltz
Attorney for Defendants
1400 West 14 Mile Rd.
Clawson, Michigan 48017

A TRUE COPY

I so certify.

Carole M. Stanyan
Carole M. Stanyan, Deputy Clerk
DEPUTY CLERK

Dated: OCT 14 1981

K
UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WILLIS W. CHAPMAN,

Plaintiff,

-vs-

Civil No. 79-74777

Hon. Patricia J. Boyle

MICHIGAN NATIONAL BANK OF DETROIT,
and
MICHIGAN NATIONAL CORPORATION,

Defendants.

ORDER GRANTING DEFENDANTS' MOTION FOR SUMMARY JUDGMENT

mn
(1) one year later
This Court having entered an Order on January 28, 1982 Granting in Part and Taking Under Advisement in Part Defendants' Motion for Summary Judgment, and this Court having reserved the sole issue of whether plaintiff was subjected to disparate treatment by defendants in the valuation of his proposed collateral and having invited defendants to file supplemental affidavits clarifying the following issues of fact:

- (1) whether or not Group Vice President Mahler appraised Larco's at Seven Hundred Sixty-Nine Thousand Dollars (\$769,000) as alleged by Plaintiff, (2) whether any portion of the Seven Hundred Sixty-Nine Thousand Dollar (\$769,000) appraisal figure represents replacement cost value, and (3) how the bank determines market value for loan purposes;

and defendants having filed the supplemental affidavits of Joseph Drobot and Thomas Wagner on the aforementioned issues and having filed a supplemental memorandum of law in support of the Motion for Summary Judgment; and plaintiff having addressed the aforementioned issues by supplemental counter-affidavit and by an Answer to defendants' memorandum; and this Court having reviewed the above submissions and being fully advised in the premises;

This Court concludes that there is no genuine issue of fact remaining as to whether plaintiff was subjected to disparate treatment by defendants in the valuation of his proposed collateral;

It appearing that the Seven Hundred Sixty-Nine Thousand Dollar (\$769,000) figure offered by plaintiff as the proper appraisal value of his property was a figure suggested by plaintiff to Stuart Mahler and Joseph Drobot, and that said figure was never adopted by Defendants

And it appearing further that in the absence of a formal appraisal conducted by defendant, the stated price to be paid by plaintiff for "Larco's Inn" was an appropriate figure from which to estimate the fair market value of the property.

IT IS SO ORDERED.

Patricia J. Boyle
PATRICIA J. BOYLE
United States District Judge

Mr. Willis W. Chapman
8550 Greenfield Road, Apartment 14
Detroit, Michigan 48228

A TRUE COPY

B: K.H. Hengeling . Clerk

I so certify.

Dated: MAR 30 1982

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WILLIS W. CHAPMAN,

Plaintiff,

-vs-

Civil No. 79-74777
Hon. Patricia J. Boyle

MICHIGAN NATIONAL BANK OF
DETROIT, SUBSIDIARY OF MICHIGAN
NATIONAL CORPORATION,

Defendants.

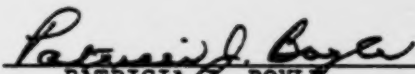
ORDER DENYING MOTION FOR RECONSIDERATION

This Court having reviewed Plaintiff's Motion for Reconsideration of Order Granting Defendants' Motion for Summary Judgment and brief in-support of said motion, and being fully advised in the premises of said motion;

IT IS HEREBY ORDERED that Plaintiff's Motion for Reconsideration is DENIED.

IT IS SO ORDERED.

Dated: 07 MAY 1982


PATRICIA J. BOYLE
United States District Judge

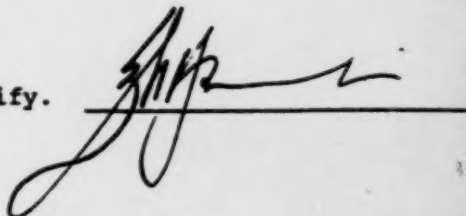
Mailed to:

Willis Chapman
8550 Greenfield Rd. #14
Detroit, Michigan 48228

Russ Boltz
Attorney for Defendants
Michigan National Corporation Bank
1400 West Fourteen Mile Road
Clawson, Michigan 48017

Dated: 07 MAY 1982

I so certify.



M

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WILLIS W. CHAPMAN,

Plaintiff,

-vs-

Honorable Patricia J. Boyle
Civil Action No. 79-74777

MICHIGAN NATIONAL BANK OF
DETROIT, Subsidiary of Michigan
National Corporation, a bank
holding company,

Defendant.

ORDER GRANTING PLAINTIFF'S MOTION FOR
LEAVE TO PROCEED IN FORMA PAUPERIS, DENYING MOTION
FOR PREPAYMENT OF TRANSCRIPT COSTS, AND DENYING
DEFENDANT'S MOTION FOR BOND FOR COSTS ON APPEAL

Plaintiff, having received an adverse judgment from this court, seeks an order allowing him to proceed in forma pauperis on appeal and has also sought to have the United States pay the cost of preparing the transcript of this court's proceedings for the record on appeal. Defendant has filed a bond for costs on appeal, in the amount of One Thousand Dollars (\$1,000).

The court notes that plaintiff proceeded in the district court in forma pauperis and has presented an affidavit and supplemental affidavit in support of the present motion.

The statute governing this court's consideration of the motion is 28 U.S.C. § 1915, which provides that an appeal by one who cannot pay costs or security may not be taken if the district court certifies that the appeal is not taken in good faith. A somewhat different standard applies to the determination whether to authorize the payment of transcript costs by the United States. That statute requires that the trial judge certify that the appeal is not frivolous and that it presents a "substantial question." 28 U.S.C. § 753(f).

Although this court is familiar with the sincerity and intensity with which plaintiff here pursues his claim against the defendant and thus is not prepared to certify that the appeal is not taken in good faith, the statement from plaintiff of the grounds for the appeal does not suggest a substantial question for appeal. Although the case while in this court had procedural difficulties that delayed resolution of the legal issues until the facts could be properly brought before it, a review of those issues confronted in the various motions does not reveal one that could fairly be characterized as "substantial." Absent an indication of the asserted error of the district court's ruling and the ground for appeal, the plaintiff has failed to demonstrate that the appeal presents a substantial question.

Plaintiff therefore has not satisfied the requirement of section 753(f). See Rhodes v. Corps of Engineers, 589 F.2d 358 (8th Cir. 1978). Thus, while this court will grant plaintiff leave to appeal in forma pauperis, 28 U.S.C. § 1915, it will not authorize the payment for transcript by the United States, 28 U.S.C. § 753(f). Thus, plaintiff's motion will be GRANTED with respect to appeal in forma pauperis and DENIED with respect to payment for transcript.

The court having granted leave to appeal in forma pauperis, it will not require plaintiff to post a bond for costs on appeal. The determination that the appeal proceeds in good faith is sufficient to meet the concern expressed in Page v. A. H. Robins Co., 85 F.R.D. 139 (E.D. Va. 1980), that requiring no bond at all may encourage appeals that ought not to be taken. While it is true that the ruling on plaintiff's request for payment of transcript costs indicates that the appeal lacks a substantial question, I am not prepared to require a bond for costs on appeal where I have expressly authorized the appeal to go forward in forma pauperis.

Accordingly, defendant's motion for bond for costs
on appeal is DENIED.

IT IS SO ORDERED.

Date: 16 AUG 1982
Detroit, Michigan

Patricia J. Boyle
PATRICIA J. BOYLE
United States District Judge

A TRUE COPY

CLERK U. S. DISTRICT COURT
E. S. DISTRICT OF MICHIGAN

BY *[Signature]*

DEPUTY CLERK

EXHIBIT "A"

Michigan Committee on Law and Housing

23 East Adams Ave. • Detroit, Mich. 48226 • (Area Code 313) 923-3286

July 3, 1979

Michigan Committee on Law and Housing Challenges Michigan National Corporation's Proposed Acquisition of the Litchfield State Bank.

On Monday, June 25, 1979, the Michigan Committee on Law and Housing (MCLH) formally filed a challenge against Michigan National Corporation's application for the acquisition of the Litchfield State Bank. The challenge was filed with the Board of Governors of the Federal Reserve System, who must make the decision either to approve or deny Michigan National's request.

The document filed by MCLH charges that Michigan National, through the performance of its subsidiaries in the tri-county Detroit area, has broken both the spirit and the letter of federal laws designed to revitalize our neighborhoods and guarantee our people the right to information and equal credit opportunity so necessary to keep these neighborhoods alive and healthy.

In order to approve Michigan National's application, the Federal Reserve Board must use its authority when examining the application to ensure that Michigan National Corporation and its subsidiaries are in compliance with the Community Reinvestment Act, the Home Mortgage Disclosure Act, the Equal Credit Opportunity Act, and Title VIII of the Civil Rights Act of 1968.

MCLH has provided, and is continuing to provide, sufficient documentation — names, dates, times, and actions through which Michigan National Banks in the Detroit area have violated these laws, thereby forfeiting their right to acquire the Litchfield State Bank.

Our challenge raises several basic concerns. First, from January 1st, 1976 to December 31st, 1978, Michigan National Banks operating in the tri-county region invested only 2.94 percent of their combined total home lending dollars

MNC Challenge, p. 4, summary statement

Furthermore, with assets of more than \$150 million, this particular MNC subsidiary should be able to claim a larger area as other comparable institutions have done. Its delineated communities are unrealistically small. For the years 1976, 1977, and 1978, the Oakland subsidiary loaned only \$1,927,554 in the communities it claims to serve for the purposes of residential mortgage originations, compared to \$4,980,084 outside their CRA "local community". Only 38.7 percent of the mortgages they made were in the area they claim as their "local community" under the CRA. Like wise, only 46.7 percent of their home improvement loans were made in this area for the same time period. These violations of Section 228.3 of CRA Regulation (FED Regulation BB), even though the violation was committed by a subsidiary of Michigan National, is once again, by itself, sufficient basis for denial of MNC's application to acquire the Litchfield State Bank.

Finally, we are angered at the implications of a pattern of lending by MNC Detroit area subsidiaries in middle income census tracts which has a disproportionate impact on the basis of race. Our analysis shows that, as soon as a census tract reaches only one or two percent black population, the number of loans made by Michigan National drops in half. We were shocked that as soon as the variable of race was introduced, actual lending to tracts having any black population was so adversely affected. This suggests violation of Title VIII of the Fair Housing Act of 1968, and possible violations of the Equal Credit Opportunity Act.

In summary, we are concerned about the social implications of Michigan National's economic policies. It is our belief that because of their poor lending record, because of the way in which they gerrymander their local communities to exclude low and moderate income communities, because of their

MNC Challenge, p. 5, summary statement

minimum efforts at communicating credit information, and because race seems to play such a major role in their lending patterns, we feel, at the very least, low and moderate income people of metropolitan Detroit have just cause for, and are entitled to, a public hearing where they can make their voice heard in the decision-making process of the Federal Reserve Board of Governors, before Michigan National is given the go-ahead to acquire the Litchfield State Bank. We also believe that many other pending and future proposed structural changes by MNC and its subsidiaries are now in question, because of this challenge. Failing a public hearing on the proposed acquisition of the Litchfield State Bank, for whatever reason, we feel we have amply demonstrated that there is sufficient cause right now to justify denial of Michigan National's request to acquire the bank.

♦ ♦ ♦

**Analysis of Lending Patterns in Middle Income Census Tracts in the Michigan Counties of Wayne, Oakland, and Macomb
For Eight Subsidiary Banks of the Michigan National Corporation
By Percentage of Black Population and Number of Owner Occupied and Total Households by Tract
For Conventional and Government Insured Loan Originations on 1 to 4 Unit Dwellings**

I. Pattern Analysis

Black Percentage of 1970 Population	# of Tracts	# of Households		# of Loans	Loans Per Tract	% of White Rate	Loans Per 1,000 Households					
							Total Households			Owner Households		
		Total	Owner				# of White Rate	% of White Rate	Deficiency	# of White Rate	% of White Rate	Deficiency
0 %	434	596,598	482,953	629	1.44	100%	1.05	100%	—	1.30	100%	—
1 - 100 %	150	187,721	139,989	114	0.76	53%	0.61	58%	83	0.81	62%	68
10 - 100 %	89	109,247	81,915	64	0.71	49%	0.59	56%	51	0.78	60%	42
20 - 100 %	72	88,911	66,403	50	0.69	48%	0.56	53%	43	0.75	58%	36
30 - 100 %	60	72,974	55,284	43	0.71	49%	0.59	56%	34	0.78	60%	29
40 - 100 %	52	66,612	50,585	39	0.75	52%	0.59	58%	31	0.77	59%	27
50 - 100 %	49	63,306	47,846	37	0.75	52%	0.58	55%	29	0.77	59%	25
60 - 100 %	43	55,703	42,059	30	0.69	48%	0.54	51%	28	0.71	55%	25
70 - 100 %	34	45,415	33,562	19	0.55	38%	0.42	40%	29	0.57	44%	25
80 - 100 %	24	31,566	22,812	10	0.41	28%	0.32	30%	23	0.44	34%	20
90 - 100 %	16	20,428	14,072	8	0.50	35%	0.39	37%	13	0.57	44%	10

(A) (B) (C) (D) (E) (F) (G) (H) (I) (J) (K) (L) (M)

Sources: 1970 Census of Population, and data provided pursuant to the Home Mortgage Disclosure Act of 1975, from the following subsidiary banks of the Michigan National Corporation for the time periods indicated: MW Bank of Detroit, Dearborn, Oakland, Macomb, and West Metro, for 1-1-76 through 12-31-78; MW Bank - North Metro for 1-1-77 through 12-31-78; and MW Banks Farmington and Sterling Heights for 1-1-78 through 12-31-78. The West Oakland subsidiary has failed to provide the data requested, as did the North Metro subsidiary for the period prior to 1977. Data for the Farmington and Sterling Heights subsidiaries are assumed to be complete, since these are recently created institutions. Part II of this table lists the middle income census tracts used in this analysis.

Table prepared by staff and volunteers of the Michigan Committee on Law and Housing, Inc., 23 East Adams Ave., Detroit, MI 48226. Revised July 5, 1979.

TABLE #14

RATING OF LENDERS' ATTEMPTS TO MEET THE CREDIT NEEDS OF
DETROIT'S LOW AND MODERATE INCOME AREAS

X

Name of Lender	Ratings based on compliance with CRA Regulations		Ratings based on compliance with F.A. 135 Regs.		Ratings based on in- volvement in rein- vestment programs		Ratings based on \$ invested in low and moderate income Detroit neigh- borhoods (based on 1977 MREA)			Total Score
	Branches With Notice	Branches With Statement	Branches With Notice	Branches With Pamphlet	Community Investment Fund	Home Improvement Program	Conventional Mortgages Originations	Government Insured Mortgages	Home Improvement Loans	
Detroit Federal	0	10	10	0	—	—	352	154	—	58.4
Nat'l. Bank of Detroit	0	9.6	8.8	7.4	—	—	5.0	45.0	137.0	23.6
Detroit Bank and Trust	8.9	9.3	8.6	5.5	—	—	7.0	19.0	137.0	21.7
City National	6.2	8.6	7.9	6.2	—	.15	.06	93	51	19.2
1ST Federal of Detroit	10	8.8	5.0	0	1.0	—	6.0	80	43	17.0
Bank of Commonwealth	9.6	7.8	9.2	4.0	(—)	—	5.0	(0)	117	16.9
Manufactures	8.8	8.2	6.3	5.4	—	5.1	17.0	.3	93	16.0
Michigan National	7.0	2.6	7.9	4.7	X —	—	0	0	113	15.0
Standard Federal	0	10	3.3	0	5.0	—	6.0	14	59	10.8
American Federal	10	8.0	10	0	8.0	—	6.0	0	0	4.6
Colonial Federal	0	10	0	0	—	—	0	0	0	1.1
	1	2	3	4	(5)	6	7	8	9	10

EXHIBIT 'Q'



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20510

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 30, 1979

Mr. Stanford C. Stoddard
President
Michigan National Corporation
Post Office Box 389
Bloomfield Hills, Michigan 48013

Dear Mr. Stoddard:

The Board of Governors of the Federal Reserve System has approved the applications of Michigan National Corporation to acquire the following five banks:

Litchfield State Savings Bank, Litchfield, Michigan
Michigan Bank-Livingston, Brighton, Michigan
Michigan Bank-Midland, Midland, Michigan
Michigan Bank-Northwest, Petoskey, Michigan
Michigan Bank-South Metro, Lincoln Park, Michigan

In acting on these applications, the Board relied on Applicant's commitments to:

1. Increase its credit oriented marketing efforts in low-and moderate-income areas.
2. Participate in additional special lending programs.
3. Further train its employees regarding compliance with the procedural requirements of the Community Reinvestment Act ("CRA").
4. Designate CRA officers to meet with the public regarding Applicant's CRA performance.
5. Investigate further the claims of racial discrimination by the Michigan Committee on Law and Housing.

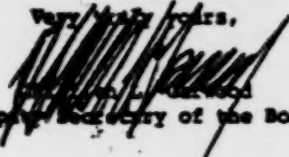
The Board regards this last commitment as an undertaking by Applicant to prevent the occurrence of any such discrimination.

The Board expects prompt compliance with each of these commitments, and Applicant should submit quarterly progress reports demonstrating such compliance to the Federal Reserve Bank of Chicago during the year following consummation of these proposals and as necessary thereafter.

As indicated by the enclosed Order, the Board also expects Applicant to take steps to insure full and continuing compliance with the procedural requirements of CRA and the Home Mortgage Disclosure Act before consummation of these proposals. Accordingly, Applicant should submit a certification to the Reserve Bank signed by its chief executive officer prior to consummation that its subsidiary banks are in full compliance with these procedural requirements. This certification should also describe the means by which Applicant will ensure such compliance in the future.

Enclosed is material related to the Board's action.

Very truly yours,


Deputy Secretary of the Board

cc: Michigan Committee on
Law and Housing

EXHIBIT "R"

DISSENTING STATEMENT OF GOVERNOR RICE

It seems clear that Applicant has persistently failed to comply with certain basic requirements of CRA regulations and I would therefore deny these applications.

It is not necessary to reach the issue of the adequacy of Applicant's record of extending credit in low-and moderate-income areas to conclude that denial of these applications is warranted. The cornerstone of the regulations adopted by the financial regulatory agencies to implement CRA is the requirement that a depository institution take certain specified steps to apprise the members of its community of the institution's obligations under CRA, the manner in which the institution proposes to meet the credit needs of its community, and the procedure for commenting on the institutions's performance in this area. It is undisputed that some of the offices of Applicant's subsidiary banks have not complied with these fundamental requirements.

The regulations setting forth these requirements were published more than one year ago. Applicant has been advised on more than one occasion since the effective date of those regulations that it was not complying with the regulations and also was not in compliance with the similar requirements of the Home Mortgage Disclosure Act, which has been in effect since 1975. The failure of Applicant's management to take prompt steps to remedy this noncompliance strongly suggests that Applicant does not take these responsibilities seriously.

Until Applicant demonstrates that it was complied fully with its obligations under the law, I do not believe the Board should approve these applications.

November 30, 1979



MICHIGAN NATIONAL BANK
OF DETROIT

1000 West Main
Troy, Michigan 48064 • Phone (313) 362-2210

July 25, 1977

Mr. Willis W. Chapman, President
Chappy's Athletic Club, Inc.
8375 Esper Blvd.
Detroit, Michigan 48204

Dear Mr. Chapman:

This is to advise you that Michigan National Bank of Detroit will not offer you a loan to finance the establishment of Chappy's Athletic Club, Inc. on substantially the terms you requested.

The principal reason for this action is that the collateral you offered in connection with this loan is inadequate under our usual and customary credit standards for loans of this type and amount.

The enclosed notice is for your information, as required by Federal Law.

Very truly yours,

MICHIGAN NATIONAL BANK OF DETROIT

By: Thomas J. Wagner
Thomas J. Wagner
Assistant Vice President

Enclosure

A MICHIGAN NATIONAL CORPORATION BANK

STATEMENT OF CREDIT DENIAL



Michigan National Bank

of Detroit

Detroit

Michigan

Telephone Number 061-5300

Nov. 14, 1978

500 Griswold, Detroit, MI 48226

☒ Installment Loan☐ General Loan☐ Mortgage☐ Extension of Loan

Name: Charpy's Athletic Club

C/C Willis W. Chapman

Address: 8550 Greenfield, apt. 11,

Detroit, MI 48216

A. INFORMATION CONTAINED IN A CONSUMER REPORT OR A DIRECT REPORT FROM:
CONSUMER REPORT:

(name) _____

(address) _____

DIRECT REPORT:

(name) _____

(address) _____

(Nature of Information Received from Direct Report)

You have the right to make a written request of the above for a disclosure of the nature of this information. This written request, to be effective, must be received by the above within 60 days of the date of receipt of this notice by you.

B. PRINCIPAL REASON(S) FOR ADVERSE ACTION:

- ☐ Credit Application Incomplete
- ☐ Unable to Verify Credit References
- ☐ Temporary or Irregular Employment
- ☐ Unable to Verify Employment
- ☐ Length of Employment
- ☐ Insufficient Income
- ☐ Excessive Obligations
- ☐ Unable to Verify Income
- ☒ Inadequate Collateral
- ☐ Too Short a Period of Residence
- ☐ Temporary Residence
- ☐ We do not grant credit to any applicant on the terms and conditions you request.

- ☐ Unable to Verify Residence
- ☐ No Credit File
- ☐ Delinquent Credit Obligations
- ☐ Garnishment, Attachment, Foreclosure, Repossession, or Suit
- ☐ Bankruptcy
- ☐ Insufficient Credit References.

If you have established credit under another name, you may still qualify for credit by calling this office and providing us with additional information.

☐ Other, Specify: _____

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is the Comptroller of the Currency, Consumer Affairs Division, Washington, D.C., 20219.

JOHN P. HEHMAN
CLERK

OFFICE OF THE CLERK
UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT
CINCINNATI, OHIO 45202

83-6224

September 15, 1983

Mr. Willis W. Chapman
Mr. Russ E. Boltz

Re: Our Case No. 82-1349 - Willis W. Chapman vs.
Michigan National Bank.
District Court No. 79-74777

Dear Gentlemen:

Enclosed is a copy of an order which was entered
today in the above-styled case.

Very truly yours,

John P. Hehman, Clerk

By Linda L. Brinson
(Ms) Linda L. Brinson
Deputy Clerk

Enclosure

No. 82-1349

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

FILED

SEP 7 1983

JOHN P. HEHMAN, Clerk

WILLES W. CHAPMAN,

Plaintiff-Appellant,

v.

ORDER

MICHIGAN NATIONAL BANK,

Defendant-Appellee.

Before: ENGEL and CONTIE, Circuit Judges; and PECK, Senior Circuit Judge.

No judge in regular active service of the court having requested a vote on the suggestion for a rehearing en banc, the petition for rehearing filed herein by the plaintiff-appellant has been referred to the panel which heard the original appeal. Upon consideration of said petition, the court finding no issues presented which have not been previously considered,

IT IS ORDERED that the petition for rehearing en banc be and it is hereby denied.

ENTERED BY ORDER OF THE COURT

John P. Hehman
Clerk 1/5

IN THE
SUPREME COURT OF THE UNITED STATES
NOTICE OF APPEALS FROM THE UNITED STATES
COURT OF APPEALS FOR THE SIXTH CIRCUIT

NO. 82-1349

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN
DISTRICT OF MICHIGAN SOUTHERN DIVISION
NO. 79-74777

RECEIVED

NOV 14 1983

OFFICE OF THE CLERK
SUPREME COURT, U. S.

AFFIDAVIT 83-6224

I WILLIS W. CHAPMAN being duly sworn, depose and say that I am Appellant in the entitled case, WILLIS W. CHAPMAN VS MICHIGAN NATIONAL BANK OF DETROIT subsidiary, of MICHIGAN NATIONAL CORPORATION a bank holding company, Appellees, that PURSUANT to RULE 10 Appellant did file a NOTICE OF APPEAL in the form, within the time, and at the place prescribed by this rule, and shall be perfected by docketing the case in the SUPREME COURT as provided in Rule 12.

APPELLANT did comply with Rule 10 (3) a copy of the NOTICE OF APPEAL was served upon all parties, attached is a copy mailed to the Appeals Court and the date it was received, also attached is a copy mailed to the Supreme Court of United States and the date it was received.

Appellant says that the Notice of Appeal has been given is sufficient,; Carolina Inv. Co. vs Kelly, 123 N.C. 388, 31 Se 671: Halsall vs Atlantic Coast Line R. Co., 96 S. C. 308. 80 SE 467.

Respectfully Submitted

Willis W. Chapman
Willis W. Chapman pro per
24 Constitution Street
Highland Park, Michigan 48203

Nov 10, 1983

[Signature]
Subscribed and sworn to before
me this 10th day of Nov. 1983
Notary Public, Wayne County
My Commission expires 5/12/85

83-6224

RECEIVED

IN THE

RECEIVED

NOV 14 1983

OFFICE OF THE CLERK
SUPREME COURT, U.S.

FEB 2 1984

OFFICE OF THE CLERK
SUPREME COURT, U.S.

SUPREME COURT OF THE UNITED STATES

NOTICE OF APPEALS FROM THE UNITED STATES

COURT OF APPEALS FOR THE SIXTH CIRCUIT

NO. 82-1349

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN

DISTRICT OF MICHIGAN-SOUTHERN DIVISION

NO. 79-74777

RECEIVED

24
OCT 25 1983

OFFICE OF THE CLERK
SUPREME COURT, U.S.

WILLIS W. CHAPMAN

Plaintiff- Appellant

VS

MICHIGAN NATIONAL BANK OF DETROIT
SUBSIDIARIE, OF MICHIGAN NATIONAL
CORPORATION, a bank holding company,
Defendant- Appellees,

STATE OF MICHIGAN }
COUNTY OF WAYNE } ss

PROOF OF SERVICE

WILLIS W. CHAPMAN, being duly sworn, deposes says
that he is Appellant, and on the 20th day of Oct. 1983 he
served a true copy of the attached NOTICE OF APPEAL TO THE
SUPREME COURT OF THE UNITED STATES, upon MICHIGAN NATION BANK
OF DETROIT'S ATTORNEY Mr. RUSS E. BOLTZ address same to 1400
West 14 Mile Road, Clawson, Michigan 48017, and deposited same
in the United States Mail with Postage fully prepaid.

Dated Oct.20,1983

Willis W. Chapman

Willis w. Chapman pro per
Appellant

Curtis White
Subscribed and sworn to before
me this 20th day of Oct, 1983
Notary Public, Wayne County
My Commission expires Sept 9-1987.

IN THE 83-6224

SUPREME COURT OF THE UNITED STATES

NOTICE OF APPEALS FROM THE UNITED STATES

COURT OF APPEALS FOR THE SIXTH CIRCUIT

NO. 82-1349

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF MICHIGAN SOUTHERN DIVISION

NO. 79-74777

WILLIS W. CHAPMAN

Plaintiff- Appellant

VS

MICHIGAN NATIONAL BANK OF DETROIT
SUBSIDIARIE, OF MICHIGAN NATIONAL
CORPORATION, a bank holding
company,

Defendant- Appellees,

STATE OF MICHIGAN }
COUNTY OF WAYNE } ss

PROOF OF SERVICE

Willis W. Chapman, being duly sworn, deposes says
that he is Appellant, and on the 7th day of Sept. 1983 he
served a true copy of the attached NOTICE OF APPEAL TO THE
SUPREME COURT OF THE UNITED STATES, upon MICHIGAN NATION BANK
OF DETROIT'S ATTORNEY Mr. RUSS E. BOLTZ address same to 1400
West 14 Mile Road, Clawson, Michigan 48017, and deposited same
in the United States Mail With Postage fully prepaid.

Dated Sept. 7th 1983

[Signature]
Subscribed and sworn to before
me this 7th day of Sept. 1983
Notary Public, Wayne County
My Commission expires MAY 19 1985

[Signature]
willis w. Chapman pro per
APPELLANT



IN THE
SUPREME COURT OF THE UNITED STATES
NOTICE OF APPEALS FROM THE UNITED STATES
COURT OF APPEALS FOR THE SIXTH CIRCUIT
NO. 82-1349
ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF MICHIGAN SOUTHERN DIVISION
NO. 79-74777

WILLIS W. CHAPMAN
Plaintiff- Appellant

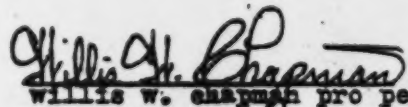
VS

MICHIGAN NATIONAL BANK OF DETROIT
SUBSIDIARIE, OF MICHIGAN NATIONAL
CORPORATION, a bank holding
company,
Defendant- Appellees,

NOTICE OF APPEAL TO THE SUPREME COURT OF
THE UNITED STATES

Notice is hereby given that WILLIS W. CHAPMAN, the
Appellant above named, hereby appeals to the SUPREME COURT of
the UNITED STATES from the final JUDGMENT of MOTION FOR REHEARING if it
IS HEREBY DENIED entered in this action on June 14, 1983 and hereby
Appeals from the final order entered in this cause on January 28,
1982, whereby it was adjudged that the Appellant's cause of action
be dismissed, by way of Appellees Entry of Order of Summary
Judgment.

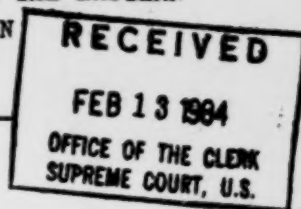
Dated Sept. 7, 1983


willis w. chapman pro per
APPELLANT

WILLIS W. CHAPMAN PRO PER
8350 Greenfield Rd. # 14
Detroit, Michigan 48228
313 255-6770 Off.
313 584-7659 Res.

IN THE
 SUPREME COURT OF THE UNITED STATES
 NOTICE OF APPEALS FROM THE UNITED STATES
 COURT OF APPEALS FOR THE SIXTH CIRCUIT
 NO. 82-1349

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN
 DISTRICT OF MICHIGAN SOUTHERN DIVISION
 NO. 79-74777



WILLIS W. CHAPMAN
 APPELLANT

V

MICHIGAN NATIONAL BANK OF DETROIT
 SUBSIDIARIE, OF MICHIGAN NATIONAL
 CORPORATION, a bank holding company,
 APPELLEES,

MOTION FOR LEAVE TO PROCEED IN FORMA PAUPERIS

The Appellant, WILLIS W. CHAPMAN, ask leave to file the Appeal without prepayment of costs and to proceed in forma pauperis. Appellant has previously been granted leave to so proceed in both the U.S. DISTRICT COURT and U.S. COURT OF APPEALS SIXTH CIRCUIT. In accordance with the provisions of TITLE 28, USC, SEC. 1915.

APPELLANT'S AFFIDAVIT

I, WILLIS W. CHAPMAN, being first duly sworn according to law, depose and says that I am the Appellant in the above-entitled case, that in support of my motion to proceed without being required to prepay fees, costs or give security therefore, I state that because of my insolvency and poverty I am unable to pay the costs of said case or to give security, and that I believe I am entitled to redress.

I further swear that the responses which I have made to the questions and instructions relating to my ability to pay the cost of proceeding in this Court are true.

1. Yes, I am employed

(a) Commission only, CENTURY 21 DUPONT REALTORS CO. 18801 West 7 Mile Rd., Detroit, Michigan 48219

2. Yes, Rent is the other source, out-of 12 months tenants paid only \$980.00 which was 3 months rent, and moved owning \$1,800.00.

3. No.

4. Yes, (joint tenants with full rights of survivorship) mother.

5. Mother

I understand that a false statement or answer to any questions in this affidavit will subject me to penalties for perjury.

Louise Garner
Subscribed and sworn to before
me this 7th day of Feb. 1984

William H. Chapman
APPELLANT

TT

Statement for
Recipients of **1981**

**Nonemployee
Compensation**

Copy A
For Internal Revenue
Service Center

For Official Use Only

Century 21 DuPont,
Bowles Realty Co Inc.
18801 W. 7 Mile Rd.
Detroit, Mi. 48219
38-2208151

Type or print
PAYER'S
name, address,
ZIP code, and
Federal
identifying
number.

83 ☐

Recipient's identifying number

371-12-1405

1 Fees, commissions, and other compensation

2,512.87

Type or print RECIPIENT'S name, address, and ZIP code below (Name must align with
arrow).

Name >

Willis Chapman
8550 Greenfield #14
Detroit, Mi. 48228

For instructions on completing this form,
see "Instructions for Form 1096."

Form 1099-NEC

©GPO: 1980-O-313-113 © 89-1118879

Department of the Treasury—Internal Revenue Service

1982

BOULES REALTY CO., INC.
16801 W. SEVEN MILE RD.
DETROIT, MICHIGAN
38-2206151

Type or print
PAYER'S
name, address,
ZIP code, and
Federal
Identifying
number.

Nonemployee
Compensation

Copy 8
For Recipient

Recipient's identifying number

371-12-1405

1 Fees, commissions, and other compensation

3,240.31

Type or print RECIPIENT'S name, address, and ZIP code below.

Willis Chapman
8550 Greenfield, #14
Detroit, MI 48228

See instructions on back of this copy.

This information is being furnished to the
Internal Revenue Service.

Supreme Court, U.S.
FILED

MAR 8 1984

ALEXANDER L. STEVAS
CLERK

No. 83-6264

IN THE SUPREME COURT OF THE
UNITED STATES

October Term, 1983

WILLIS W. CHAPMAN,
Appellant,

v.

MICHIGAN NATIONAL BANK OF DETROIT,
a National Banking Association,

MICHIGAN NATIONAL CORPORATION,
a Registered Bank Holding Company, Appellees.

On Appeal From the United States Court of
Appeals for the Sixth Circuit

MOTION OF APPELLEES TO DISMISS OR AFFIRM

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National Bank of Detroit and
Michigan National Corporation

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DESIGNATION OF CORPORATE RELATIONSHIPS

Michigan National Corporation and Michigan National Bank of Detroit, filing this Motion to Affirm or Dismiss as Appellees in this proceeding, state that:

1. This is the original Designation of Corporate Relationships.

2. Michigan National Corporation is not owned by any parent corporation.

3. Michigan National Corporation is the parent of Michigan National Bank of Detroit.

4. Michigan National Bank (of Lansing) is the subsidiary of Michigan National Corporation. Michigan National Corporation does not have an ownership interest in any other subsidiaries, except wholly owned subsidiaries.

5. Michigan National Bank of Detroit does not have an ownership interest in any subsidiaries.

6. Michigan National Corporation does not have any affiliates.

7. Michigan National Bank of Detroit has the following affiliates: Michigan National Bank; Michigan National Bank-Ann Arbor; Michigan National Bank-Central; Michigan National Bank-Dearborn; Michigan National Bank-Farmington; Michigan National

Bank-Grand Traverse; Michigan National Bank-Grosse Pointes; Michigan National Bank of Macomb; Michigan National Bank-Michiana; Michigan National Bank-Midland; Michigan National Bank-Mid Michigan; Michigan National Bank-North; Michigan National Bank-North Metro; Michigan National Bank-Oakland; Michigan National Bank-South Metro; Michigan National Bank-Sterling; Michigan National Bank-Valley; Michigan National Bank-West; Michigan National Bank-West Metro; Michigan National Bank-West Oakland; Michigan Bank-Huron; Michigan Bank-Livingston; Michigan Bank-Mid South; Michigan Bank-Midwest; Michigan Bank-Port Huron; Michigan National Brokerage Services; Michigan National Investment Corporation; Michigan National Leasing Corporation; Colorado Leasing & Capital Division; Florida Leasing & Capital Corporation; MNC-Western Leasing & Capital Corporation; MNC National Mortgage Corporation; Electronic Systems and Operations; and Electronic Services and Products.

Dated: March 7, 1984

IN THE SUPREME COURT OF THE
UNITED STATES

October Term, 1983

WILLIS W. CHAPMAN,
Appellant,

v.

MICHIGAN NATIONAL BANK OF DETROIT,
a National Banking Association,

MICHIGAN NATIONAL CORPORATION,
a Registered Bank Holding Company, Appellees.

On Appeal From the United States Court of
Appeals for the Sixth Circuit

MOTION OF APPELLEES TO DISMISS OR AFFIRM

The Appellees Michigan National Bank of Detroit and Michigan National Corporation respectfully move to dismiss or affirm the judgment of the United States Court of Appeals for the Sixth Circuit on the grounds that this Court does not have jurisdiction and the question presented is so unsubstantial as not to need further argument. Sup. Ct. R. 16.1(a), (c) and (d).

STATUTES INVOLVED

42 U.S.C. §1981 (1981), reads as follows:

"All persons within the jurisdiction of the United States shall have the same right in every State and Territory to make and enforce contracts, to sue, be parties, give evidence, and to the full and equal benefit of all laws and proceedings for the security of persons and property as is enjoyed by white citizens, and shall be subject to like punishment, pains, penalties, taxes, licenses, and exactions of every kind, and to no other."

15 U.S.C. §1691 (1982) is set out in full in the Appendix at pages 111 through 112.

STATEMENT OF PRIOR PROCEEDINGS

Appellant Willis W. Chapman ("Chapman") has failed in every step of this action to support his claim against Appellees Michigan National Bank of Detroit and Michigan National Corporation (jointly referred to as "Michigan National"). After amending his Complaint numerous times, frequently without prior approval of the District Court, Chapman settled on the version entitled "Fourth Amended Complaint", which was approved by the District Court with some ordered modifications. The sole claim against Michigan National is that it denied his loan application on a racially discriminatory basis contrary to the Equal Credit Opportunity Act, 15 U.S.C. §1691 (1982), et seq. (hereafter referred to as "ECOA"), and 42 U.S.C. §1981 (1981).

Michigan National brought two motions for summary judgment. In each of these, all parties had ample opportunity to present affidavits in support of their respective positions. The first motion resulted in the October 14, 1981 Order of the District Court, J.S. App. J¹, which, among other things, entered judgment for Appellee Michigan National Corporation upon the claim alleged under ECOA, 15 U.S.C. §1691 (1982), et seq., and entered judgment for both Appellees on all claims made by Chapman under 15 U.S.C. §1691 (1982), et seq., and 42 U.S.C. §1981 (1981) which were outside each statute's limitation period.

The two Orders resulting from the second motion were the subject of the appeal to the United States Court of Appeals for the Sixth Circuit and appear to be the subject of the Appeal to this Court. The first Order was entered on January 28, 1982, App. 99²; and addressed the only claims of discrimination made

¹References to the various appendices of Appellant's Jurisdictional Statement will be set forth as "J.S. App." and the letter of the Appendix.

²Appellant Chapman's Appendix to his Jurisdictional Statement fails to include this Order, as well as, several documents which Appellees deem essential to their Motion to Dismiss or Affirm. These documents have been included in the Appendix filed with this Motion. References to the Appendix are cited as "App." followed by the page number.

against Michigan National. As to Chapman's claim that Michigan National discriminatorily allowed white individuals to present appraisals of collateral proffered as security for a loan on a replacement cost and required black individuals to use market value appraisals, the District Court entered judgment in favor of Michigan National. As to Chapman's claim that Michigan National discriminatorily refused to consider an appraisal which Chapman alleges Michigan National had obtained, the District Court requested supplemental affidavits and took this portion of the Motion under advisement. On March 30, 1982 an Order was entered on the remaining part of the Motion, J.S. App. K. The District Court entered judgment for Michigan National on all remaining claims of Chapman's Complaint.

After the District Court entered on Order Denying Motion For Reconsideration on May 7, 1982, J.S. App. L, Chapman appealed to the Sixth Circuit Court of Appeals. The Court of Appeals, after hearing oral argument and considering the record as a whole, entered an unpublished order on June 14, 1983 affirming Judge Boyle's granting of summary judgment in favor of Appellees, J.S. App. B. Subsequently, on September 16, 1983, the Court of Appeals entered an order denying Chapman's Motion for Rehearing, J.S. App. C.

MOTION TO DISMISS

Appellees Michigan National Bank of Detroit and Michigan National Corporation hereby move to dismiss the appeal on the ground that this Court does not have jurisdiction.³

³Chapman has followed a most unorthodox method of obtaining the docketing of this appeal. Primarily, on or about December 14, 1983, Michigan National received Chapman's Jurisdictional Statement without notice that the Appeal had been docketed. Upon calling the Court's clerk, Michigan National was advised that Chapman's papers were in improper form and returned to him. On February 21, 1984, Michigan National received Notice of Docketing of the Appeal reflecting November 14, 1983. Once again, upon calling the Court's Clerk, Michigan National was advised that on February 7, 1984 the appeal was docketed and backdated to the date Chapman first had contact with the Court. The Clerk advised Michigan National that Chapman had refiled the jurisdictional statement and the appropriate papers for In Forma Pauperis status. Since Michigan National never received a copy of the documents filed by Chapman on February 7, 1984, Michigan National is responding to the Jurisdictional Statement dated December 13, 1983.

Chapman has brought, in this action, as he has frequently done in the past, another pro se matter before the Court which neither merits the Court's review nor which is within the Court's appellate jurisdiction.⁴ Consequently, it is not surprising that Chapman's Notice of Appeal fails to "specify the statute or statutes under which the appeal to this Court is taken" as required by Sup. Ct. R. 10.2. This Court does not have jurisdiction over this appeal pursuant to 28 U.S.C. §§1252, 1253, 1254(2), 1257(1), or 1257(2) since this matter does not involve a federal statute having been found unconstitutional or invalid, a direct appeal from a District Court, or consideration of a state statute. Further, there are no special statutes or any statutes whatsoever allowing the appeal of this matter.

This Court summarily dismisses appeals from federal courts where jurisdiction is lacking. Williams v. LaVallee, 362 U.S. 637 (1960). For the foregoing reasons, this appeal is one which the Court must dismiss for lack of jurisdiction.

MOTION TO AFFIRM

Alternatively, the Appellees Michigan National Bank of Detroit and Michigan National Corporation move to affirm the judgment of the Court of Appeals for the Sixth Circuit affirming the judgment of the United States District Court for the Eastern District of Michigan that Appellant Chapman was not discriminatorily denied credit by Appellees.

Michigan National brought its motions for summary judgment in the District Court pursuant to Fed. R. Civ. P. 56(c) which provides in part:

⁴See, e.g., Chapman v. Bank of the Commonwealth, et al, appeal dismissed and cert. denied, 104 S. Ct. 324 (Oct. 31, 1983), petition for rehearing denied, 104 S. Ct. 561 (Dec. 12, 1983); Chapman v. Federal National Mortgage Association, application for stay denied, 436 U.S. 902 (1978), cert. denied, 436 U.S. 961 (1978), rehearing denied, 439 U.S. 884 (1978).

" . . . The judgment sought shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law"

In this manner, Michigan National directly challenged Chapman's allegation that Michigan National's loan practices resulted in the denial of credit to Chapman in violation of ECOA, 15 U.S.C. §§1691-1691f (1982), and the Civil Rights Act, 42 U.S.C. §1981 (1981).

In order to have prevailed in the District Court, Chapman must have shown an actual or inferable discriminatory intent on behalf of Michigan National to deny him credit due to his race. Vasquez v. McAllen Bag & Supply Co., 660 F.2d 686 (5th Cir. 1981), cert. denied, 458 U.S. 1122 (1982). If credit was denied because of a lack of creditworthiness and other neutral reasons, then the denial was proper. This position is supported by the following stated purpose of ECOA:

"[The purpose of ECOA is to] eliminate unfair and irrational discrimination against millions of credit-worthy American - men and women; single, married or divorced; black or white; under 26 or over 65; English or Spanish-speaking - as long as they are creditworthy." Additional Views of Hon. Leonor K. Sullivan, H.R. Rep. No. 120, 94th Cong., 1st Sess. (1975). Emphasis in original.

In support of its motions for summary judgment, Michigan National presented the District Court with uncontroverted affidavits showing that Chapman was denied credit on his attempt to obtain a Small Business Administration guaranteed loan for the Larco Inn property for racially neutral reasons, specifically, that he was a major credit risk. Apparently, Chapman prepared an application on the appropriate SBA form, see Romanoff Affidavit, Exhibit A thereto, App. 24, and submitted it to a number of banking institutions, including Appellee Michigan National Bank of Detroit, all of which rejected it. See Plaintiff's Answers to Defendants' Second Interrogatories, ¶6, App. 15. This application process apparently occurred in October, 1978.

Subsequently, the transactions which ultimately gave rise to this action occurred in August 1979, as recounted in the Romanoff Affidavit: Mr. Chapman appeared at a hearing of the Federal Reserve Board held to consider the application of Michigan National Corporation to acquire other banks in the state of Michigan, at which time, Mr. Chapman complained of the denial of his SBA application. See Romanoff Affidavit, App. 21. At that time, Fred Romanoff, a Vice President of Michigan National who was present at the hearing, was given a copy of the Chapman SBA Application, and offered to inform Mr. Chapman what the procedures had been that led to the denial, as well as why such an application would be denied for nondiscriminatory reasons. Such a review was conducted, see Affidavits of Joseph Drobot, App. 17, and Romanoff, App. 21. This review indicated that the application was not in the proper form for consideration of such applications; significantly, as well, the review indicated that there was a number of substantive reasons why the application would be denied if formally resubmitted:

(1) The application made reference to prior bankruptcy or insolvency proceedings.

(2) The project was to be 100% financed, with neither Mr. Chapman nor other parties making any capital investment.

(3) Mr. Chapman indicated, in the SBA Application, that he had a prior business-loan default in a prior SBA loan.

(4) Mr. Chapman had defaulted on a home mortgage that was also federally-guaranteed.

(5) Mr. Chapman had indicated, on the SBA Application, that he had a prior record of criminal convictions.

See Romanoff Affidavit, App. 22-23, and Supplemental Affidavit of Joseph Drobot, App. 104. While subsequent discovery after commencement of this case indicates that Chapman may have incorrectly indicated the bankruptcy and criminal record on the SBA Application, the fact remains that Michigan National was entitled to take the SBA Application as accurate on its face at the time it was made.

Michigan National is obligated to view loan applications in light of guidelines set forth by the governing authority of all national banking associations, the Comptroller of the Currency. The Comptroller's Handbook for National Bank Examiners, §213.1, App. 109, characterizes "Unsecured Mortgage Loans" as follows:

"A first mortgage loan generally is unsound if:

Its liquidation depends on the sale of the underlying real estate.

The amount of the loan is large relative to the fair value of the property.

The ability of the obligor to pay is questionable.

The loan has remained dormant a long time, indicating that its transfer to another obligor through the sale of the realty will become necessary.

Other elements such as interest and tax arrearages can be significant, but they are generally corollaries of the situations outlined above.

A principal indication of an unsound real estate loan is an improper relationship between the amount of the loan, the potential sale price of the property, and the availability of a market. The potential sale price of a property may or may not be the same as its appraised value. In dealing with unsound mortgage loans, the current potential sale price or liquidating value of the realty is of primary importance and the appraised value is of secondary importance. Emphasis added.

In this context, it is apparent that the attempt to secure credit by Chapman was doomed to failure: As the Romanoff Affidavit makes clear, the policy of Michigan National Bank of Detroit in granting loans tracks - as it must, given the undersireable effects of ignoring the Comptroller's policies - the National Bank Act and the Comptroller's rulings. In this instance, in fact, the sought-after loan by Mr. Chapman was "unsound" under three of the criteria noted: (1) Liquidation of the loan depended upon the underlying real estate solely; (2) the amount of the loan was large - to the order of 80% - relative to the value of the property; and (3) the ability of Chapman, given his prior default on his home, as well as default of a prior SBA loan with a default balance in excess of \$100,000.00 was truly questionable.

Based on this analysis and the uncontroverted affidavits provided the District Court, Michigan National denied Chapman credit for solely racially neutral reasons, i.e. that Chapman was not creditworthy, and was therefore not entitled to the protection of ECOA. Nevertheless, the District Court dutifully considered the two claims of racially based discrimination made against Michigan National in Chapman's Fourth Amended Complaint.

The first claim is set forth in ¶6 of the Fourth Amended Complaint, App. 9, as follows:

"6. Plaintiff believes the Discrimination Practices by Defendants method of EVALUATION of Property OFFERED as Collateral in the Black Community is based upon the Market Price or Comparable Sales within the neighborhood of the property offered, Deprives Plaintiff of Equal Credit Opportunity, whereas property offered in a all white community where there is no Blacks living, the Evaluation of property is based upon Replacement Cost-Factor at todays Cost of Labor and Material, which CREATE OPPORTUNITY for Whites in a Low-risk neighborhood."

He alleges, as best as can be determined, that he, a Black, has been compelled to have submitted property appraised only on the "market value" approach, while others - who are White - are permitted the use of "replacement cost" appraisals.

Michigan National provided the District Court with the sworn affidavits of Romanoff, App. 20, and Wagner, App. 97, which demonstrated testimony that Chapman's claim was not the case; replacement cost appraisals are never used for security purposes. Specifically, the District Court found undisputed, the Romanoff Affidavit's statement, App.22, that:

"Michigan National Bank of Detroit does not value collateral, in determining the extent of collateralization on a loan for commercial purposes, on a 'replacement cost' basis. This is because the purpose of collateral is to insure a source of funds adequate to pay unpaid principal if the borrower defaults. The only way collateral can be converted to funds to pay such balances is for it to be sold, and commercial practice, required by law, is for collateral to be sold on the open market. Since replacement cost bears no relationship to what property will be sold for, it cannot prudently be used in any appraisal for collateral purposes." Order of January 28, 1982 at 3, App. 101.

The only example cited by Chapman in support of this claim, involving one Leonard Friedman, Deposition of Willis W. Chapman, App. 12-13, owned property which, taken altogether comprised a mix of multiple parcels of realty as well as personal property which over-collateralized the loan on a market value basis, as well as a debtor whose ability to pay, based upon a multimillion dollar net worth, was unquestionable. Wagner Affidavit, App. 97-98. Therefore, Chapman failed to provide any support for his claim of discriminatory practices as set forth in ¶6 of his Complaint, leaving only Michigan National's uncontroverted affidavits demonstrating that there was no discriminatory practice.

The second claim of discrimination raised by Chapman in his Complaint was that Michigan National undervalued his collateral after having appraised it at \$769,000.00. Specifically, ¶8 of Chapman's Complaint, App. 10, states:

"8. Plaintiff believes the Discrimination Practices, by Defendants of DENYING Plaintiff's S.B.A. Loan Application, on Property Offered as Collateral, WHICH WAS APPRAISED BY THE DEFENDANTS IN THE AMOUNT OF \$769,000, which was \$369,000 more than what Plaintiff made application for, this Discriminatory Effect, Deprived Plaintiff from working for himself, deprived Plaintiff of employment."

Before making a final decision on this claim the District Court required the parties to submit Supplemental Affidavits. Michigan National presented the following language of the Supplemental Affidavit of Joseph Drobot, App. 105, to show that Michigan National never appraised the property and the figures presented were Chapman's:

"4. Since this review, and the meeting thereafter, were not for the purpose of considering the extension of credit to Plaintiff Willis W. Chapman, but rather to explain to Plaintiff why his previous application had not been accepted, no formal or informal appraisal of any property, including 'Larco's Inn' was ever undertaken by Defendant Michigan National Bank of Detroit.

5. During the meeting with Plaintiff, Deponent and Stuart Mahler discussed the value of the property as suggested by Plaintiff as collateral based upon the statements of value contained in his SBA Loan Application. Since no appraisal was undertaken, no other valu-

ation was used for purposes of the discussions with Plaintiff, but Defendant Michigan National Bank of Detroit, by using Plaintiff's valuation for discussion purposes, did not adopt them as true.

6. Since no appraisal was conducted, the Court's question in its Order of January 28, 1982, whether 'any portion of the Seven Hundred Sixty Nine Thousand (\$769,000.00) Dollar appraisal figure represents replacement cost value' is not applicable. However, the documents submitted by Plaintiff Willis W. Chapman in his SBA Loan Application indicates that the Net Book Value of the property was \$818,792.00, Affidavit of Fred Romanoff, Exhibit A thereto, 'Summary of Collateral', and the financial statements submitted by Plaintiff to that application indicated the book value of the building, land, equipment, furniture and fixtures to be \$1,249,362.00. While these figures were neither supported by an appraisal nor accountant's certificate tendered by Plaintiff, and could not be accepted as true by Defendant Michigan National Bank of Detroit, they suggest that even Plaintiff Willis W. Chapman did not believe the replacement cost to be \$769,000.00."

Chapman's only attempt to challenge this affidavit was by his "Counter Affidavit" in the District Court in which he said these allegations were "not true" with no competent proof of how they were untrue. He admitted (at least by silence) that there was no appraisal of any kind performed by Messrs. Drobot and Mahler, and expressly noted that "Plaintiff's Statement of Value contained in Chappy's Athletic Club, Inc. SBA Loan Application was based upon 1968 evaluation," in other words agreeing that property values were submitted by him. Moreover, he did not challenge - nor could he challenge - the sworn statements of Mr. Drobot that the meeting at which he and Mr. Mahler discussed Plaintiff Chapman's application was not for the purpose of considering the application, but for telling him why it had been previously not even accepted for consideration due to its improper form for bank purposes:

"2. As stated in his Affidavit of October 5, 1981, I was present at a meeting with Plaintiff Willis W. Chapman at which Group Vice President Stuart Mahler was also present. The purpose of this meeting was to review an application for SBA insured loan made by Plaintiff Willis W. Chapman that was previously not accepted for consideration by Michigan National Bank of Detroit." Supplemental Affidavit of Joseph Drobot of February 4, 1982 at 1, App. 104.

In essence, the District Court found and the Appellate Court affirmed that viewing the record in the light most favorable to Chapman, there was not only no showing of discrimination by

Chapman, but also that Michigan National denied Chapman credit for racially neutral reasons. Summary judgment was properly granted for Michigan National. Despite being given numerous opportunities to present support for his claims of discrimination, Chapman came up with nothing more than suspicion and unsupportable argument.

Therefore, there are no substantial questions for this Court to consider. This view was shared by the District Court which noted the following at page 2 of its Order Granting Plaintiff's Motion for Leave to Proceed In Forma Pauperis, Denying Motion for Prepayment of Transcript Costs, and Denying Defendant's Motion for Bond for Costs on Appeal, J.S. App. M:

"Although this court is familiar with the sincerity and intensity with which Plaintiff here pursues his claim against the Defendants * * * the statement from Plaintiff of the grounds for the appeal does not suggest a substantial question for appeal."

TREATMENT AS A PETITION FOR WRIT OF CERTIORARI

If this Court treats this Appellant's papers as a petition for writ of certiorari, it should deny certiorari for the reason that this case does not present an issue of importance for this Court to decide. This case is simply not one justifying the Court's review. It presents no reason like those outlined in Sup. Ct. R. 17.1(a)-(c). The United States Court of Appeals for the Sixth Circuit's decision affirming the District Court does not conflict with the decision of another federal court of appeals. The Sixth Circuit Court of Appeals has not decided any federal questions, let alone one in conflict with a state court of last resort. The Sixth Circuit Court of Appeals has not departed from the accepted course of judicial proceedings or sanctioned such a departure by a lower court. This case does not involve a state court of last resort deciding a federal question in a way in conflict with the decision of another state court of last resort or of a federal court of appeals. The Sixth Circuit Court of Appeals did not decide an important question of federal law which has not been, but should be, settled by this Court. Nor did the

Sixth Circuit Court of Appeals decide a federal question in a way in conflict with applicable decisions of this Court.

This case does not present any reason for review even remotely resembling the foregoing characteristics outlined in Sup. Ct. R. 17.1(a)-(c). Instead, this case marks the sixth time that Chapman has invoked this Court's discretion, the prior five requests having been denied. See n. 4, supra. This request is no better than the other five and should be similarly denied.

Both the District Court and the Court of Appeals have found that Chapman failed to present evidence, proof, or rebuttals of evidence and proof submitted by Michigan National, to substantiate his claim of discrimination. In its Order affirming the District Court, J.S. App. B, the Sixth Circuit Court of Appeals stated:

"Based upon affidavits and evidence submitted before the district judge, it appeared that the premise that the bank loaned money solely on the basis of replacement cost of the property was incorrect. Chapman, although having been accorded ample opportunity, was unable to present any evidence which would raise a material dispute of fact on that question. Similarly, Chapman offered no evidence rebutting defendants' affidavits, which stated that defendants did not conduct an appraisal but adopted Chapman's proffered purchase price as fair market value of the property and that use of the figure was proper. Considering the evidence in a light most favorable to Chapman, no issue of fact regarding disparate treatment was raised."

There is nothing presented by this improvident appeal which calls for this Court to exercise its certiorari jurisdiction.

CONCLUSION

For the reasons stated herein, this appeal should be either dismissed or the judgment of the United States Court of Appeals for the Sixth Circuit affirmed; and if this Court treats this appeal as a petition for writ of certiorari, certiorari should be denied.

Respectfully submitted,

MICHIGAN NATIONAL CORPORATION LEGAL
DEPARTMENT

By:



Russ E. Boltz, Counsel of Record

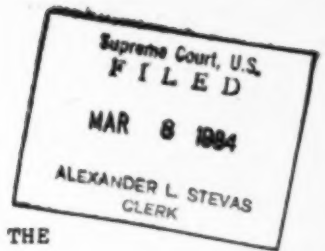
By:



John R. Spreitzer

Attorneys for Appellees Michigan
National Bank of Detroit and
Michigan National Corporation
1400 West Fourteen Mile Road
Clawson, Michigan 48017
(313) 280-6500

Dated: March 7, 1984



No. 83-6264

IN THE SUPREME COURT OF THE
UNITED STATES

October Term, 1983

WILLIS W. CHAPMAN,
Appellant,

v.

MICHIGAN NATIONAL BANK OF DETROIT,
a National Banking Association,

MICHIGAN NATIONAL CORPORATION,
a Registered Bank Holding Company, Appellees.

On Appeal From the United States Court of
Appeals for the Sixth Circuit

APPENDIX TO MOTION OF APPELLEES TO DISMISS
OR AFFIRM

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Legal Department
1400 West Fourteen Mile Road
Clawson, Michigan 48017
(313) 280-6500

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Counsel for Appellees Michigan
National Bank of Detroit and
Michigan National Corporation

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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

Filed
3/5/81

Willis W. Chapman
Plaintiff,

VS

Civil Action No. 79-74777
Honorable Patricia A. Boyle

Michigan National Bank of Detroit,
Subsidiary of Michigan National Corporation

Willis W. Chapman's Answer to
Michigan National Bank of Detroit's
First Set of Written Interrogatories
to Plaintiff

Now Comes Willis W. Chapman, Plaintiff herein, and in accordance with the Federal Rules of Civil Procedure, submit the following answers;

These interrogatories answers, herein, shall be deemed continuing and supplemental answer shall be submitted to Defendants upon receipt of additional information from the time the answers are served to the time of the trial. Plaintiff's responds to Michigan National Bank of Detroit, Subsidiary of Michigan National Corporation, First Set of Interrogatories as follows; #1

a. Yes

- i. First time to Dorothy Little SBA Loan w/o Business Plan
- . Second time to Jim Vaughn SBA loan w/ Business Plan
- . Third time to Fred Romanoff SBA Loan w/ Business Plan
- ii. First time Oct. 2, 1978
Second time Nov. 17, 1978
Third time Aug. 27, 1979
- iii. \$ 400,000., to purchase Larco's Inn including all assets Building, Land, Office equipment, Dining room and Bar equipment, Kitchen equipment, Food inventory, Liquors, wine, beer, inventory, Licenses Liquor.

b. Yes,

- i. Dorothy Little, Jim Vaughn, Fred Romanoff
- ii. Aug. 17, 1979, Plaintiff, offered SBA Loan application to Senior Vice President Fred Romanoff during a meeting with Michigan Committee on Law and Housing, and the League of Women Voters, North Central Seven and other community groups, New Detroit Inc. representative President Walter Douglas and BenJ. Davis, the Senior Vice President Fred Romanoff asked Plaintiff for the SBA Loan application, Plaintiff refused to give the SBA Loan application, because of the Negative Attitude

of Michigan National Corporation representative to the Credit Needs of the community, the Michigan National Corporation representative walked out of that meeting.

a. Aug. 27, 1979 meeting between Federal Reserve Board member Frank Dryer, and his staff of five (5), and Michigan Committee on Law and Housing, League of Women Voters, North Central Seven, and Willis W. Chapman Plaintiff, during this meeting (Aug. 27, 1979) Senior Vice President of Michigan National Corporation Fred Romanoff asked Plaintiff for his SBA Loan application again, with the statement "he wanted to review the application to see if Michigan National of Detroit discriminated against you (Plaintiff)", Plaintiff said "I'll give the application to you (Fred Romanoff), but not for that reason, I'll submit the SBA Loan application to you (Fred Romanoff) for Credit", Senior Vice President Fred Romanoff said "ok I'll look it (Loan application) over and see what I can do" and all participants at the meeting table heard the statement, the District Director of the Federal Reserve Board Frank Dryer was sitting next to Plaintiff.

2. Equal Credit Opportunity Act: USC Vol. 15, Sec. 1691-1691f; and Federal Reserve Board Regulation B; Code of Federal Regulation, Vol. 12 part 202 (1977) Sec. 601 of the Civil Rights Act of 1964 provides no person in the United States shall on the grounds of Race, Color or National Origin be excluded from participation in being Denied the benefit of, or be subject to discrimination under any program or activity receiving Federal Financial Assistance. Executive Order 11061 (Support the Civil Rights Act 1966 and Title VIII of the Civil Rights Act of 1968, p 18, 18a) which prohibits discrimination on the part of anyone who are using Federal Insurance Program, the Comptroller of the Currency has Statutory powers of enforcement vested in Section 8 of the Federal Deposit Insurance Act, as amended by the Financial Institution Supervisory Act 1966, Vol. 12 USC Sec. 1818(a), the Comptroller may issue a Cease and Desist Order, where there is Reasonable Cause to believe that a Bank has Violated, is Violating or is about to Violate any Laws, Rule or Regulation.

a. Consumer Credit Protection Act

b. Statement of Credit Denial

c. The mental anguish for over 14 yrs. of economical oppression by the Michigan National Bank of Detroit.

i. Plaintiff submitted SBA Loan application and Business Plan with a three year projection at the meeting of the Federal Reserve Board on Aug. 27, 1979, after 4 months, several telephone calls was made to Senior Vice President Fred Romanoff regarding the status of the application over a period of 4 months he said

" Nothing yet, two weeks later he said," still working on the application, and still later he said,will let you (Plaintiff) know in a few days" after 4 months the experience of Fort is overwhelming, anxiousness and thinking that my idea of self-employment for myself, my children, and my grand children is going to be lost because of discrimination, Plaintiff talked to Senior Vice President Fred Romanoff who said I think your application was rejected, I gave it to Stuart H. Mahler and he will call you to set up a meeting.

3. Dec. 13, 1979 Plaintiff had a meeting with Senior Vice President of the Commercial Department Stuart H. Mahler and Community Reinvestment officer Joe Drobot, Senior Vice President Stuart H. Mahler open the meeting by stating," there is something on your application that we need to talk about, that I don't understand how you got your figures; referring to the collateral offered, "we think the figures are wrong; Plaintiff answered the "figures are based upon Larco's Inn balance sheet and profit and loss statement", Senior Vice President Stuart H. Mahler made the statement " the way the Bank see it , the property (Larco's Inn) is worth \$ 769,000.", Plaintiff said "the Loan application is only asking for a SBA Loan in the amount of \$ 400,000. which means there is \$369,000. worth of Equity", Senior Vice President Stuart H. Mahler said " the Bank see the difference as what the Bank call appraisal surplus", Plaintiff asked " did the Bank make an appraisal,?" Senior Vice President Stuart H. Mahler said " No we did not", he asked about a question on the SBA application, regarding if Plaintiff ever been involve in a bankruptcy, Plaintiff answered " no" Senior Vice President Stuart H. Mahler said " it is against the law to inflate assets to create equity for collateral", Plaintiff said "are you (Stuart H. Mahler) making inference that I did something illegal, if so we need to end this meeting now, that the figures used reflect upon what the Seller has invested in this property after 25 years, and that I (Plaintiff) did not inflate the assets to create the collateral or the \$369,000. equity", Plaintiff asked , " how did the Bank evaluate the property?", Senior Vice President said " by the market price or comparable sales in the neighborhood", Plaintiff said " there is no other property that was sold in the City of Detroit comparable to Larco's Inn", Plaintiff asked " if this property was in Southfield would the appraisal be based upon replacement cost-factor?", Senior Vice President Stuart H. Mahler said Yes", Plaintiff said OH, the Bank don't appraise property in the City of Detroit as the Bank do in Southfield", Senior Vice President Stuart H. Mahler said " No"

the Bank appraise property based upon market value in Detroit", the community reinvestment act Bank officer who is suppose to evaluate all application that have been denied by the bank, CRA officer Joe Drobot asked " what about your (Plaintiff) police record?", Plaintiff said " the police record is 23 years old", CRA officer Joe Drobot asked " what about the letters of recommendation", Plaintiff said "I'll get the letters" CRA officer said " what about the \$ 100,000. default "?, Plaintiff said "there was no default it was written-off in 1978 by the SBA with the understanding that Plaintiff would pay it off by including it in any new applications, which was included in the SBA application submitted to the Bank", Senior Vice President Stuart H. Mahler asked " how can you (Plaintiff) show \$ 219,000. as withholding taxes on your balance sheet, that wrong, it should be shown as income", Plaintiff said " that balance sheet is the projected balance sheet after the first years operation", Plaintiff said " why don't you (Stuart H. Mahler) give me the letter of denial ?, so that I can go, I am wasting time here", Senior Vice President Stuart H. Mahler said I can give you a letter of denial, but what you need to do, is to do the application over, bring in your accountant, so we(Bank) can put to geather a application the way we(Bank) want it", Plaintiff said "give me the letter of denial and let me go, you could have told me this over the telephone Mr. Mahler, so far you have said you see my figures as being wrong (the Defendants are the only Bank out of 6 Banks that have said my figures are wrong) you have said and made inference that I have illegally inflated the collateral to increase the assets for a equity increase, also you CRA Officer Joe Drobot has made reference to a 23 year old police record, plus evaluate the property in the Detroit area different than the Bank evaluate property in the white area! Plaintiff prepared his on application for a SBA Loan and he also prepare SBA Loan application for people in the Detroit area.

a. Fred Romanoff

b. Telephone

c. Section 302 (a) of the Community Reinvestment Act of 1977; and because of discrimination by the Defendants, Plaintiff is exercising his rights as a United States Citizen to call for proper enforcement of laws by the Federal Reserve Board and the Comptroller of Currency Statutory powers that Section 8 of the Federal Deposit Insurance Act. The Community Reinvestment Act 1977 was passed by Congress and signed by the President of the United States, designed to revitalize the poor people's neighborhood.

1. Plaintiff was never informed of other reason why his

application was not approved. Plaintiff received a denial letter which stated inadequate collateral dated Nov. 14, 1978 received from Dorothy Little and as stated herein paragraph #3 Senior Vice President Stuart E. Mahler said the Bank see Larcio's Inn evaluated at \$ 759,000., the SBA Loan application was for only \$400,000. with 90% guarantee, with a 10% risk factor, there is no inadequate collateral factor, there is a \$ 369,000. surplus appraisal equity factor.

Plaintiff believes race was the factor in the non - approval of his application to the Defendants, this is the pattern of Michigan National Bank of Detroit lending policy against Blacks, Browns, Reds, Poor Whites, and Senior Citizens in a Low and Moderate income community with a Disinvestment Banking practice or Red-lining practice by telling Blacks and Low and Moderate income community people that their property is not worth the risk of a mortgage or Home Improvement Loan, there are Senior Citizens who are trapped in their homes, because of Disinvestment or Red-lining they can not get a loan to improve their homes, to bring their houses up to City code, so they can sell their houses to get relief from the taxes, up keep, so that they can better out of their fixed income. Disinvestment or Red-lining is the same thing herein is an example of Michigan National Bank of Detroit's institutional racism a pattern of discrimination predominantly in the Black Community, also there there is a discrimination pattern against the Browns, Reds, Poor whites, and Senior Citizens, in the Michigan National Bank of Detroit's Delination area which is the Low and Moderate income areas.

10. The Michigan National Banks of Detroit's discrimination practices of discrimination in the form of Disinvestment (the process of collecting money in the form of deposits in the Black community and investing the collected deposit in some other community).

Plaintiff believes lending institutions discrimination practices is destroying our Capitalistic system, it has destroyed our City, State and national tax base, it has destroyed our increase in Gross National Product, world discrimination practices has contributed to the devaluation of our dollar, discrimination contributes to crime, by destroying hope, and dreams of entering into the main stream of the economy of their communities, discrimination destroy opportunities, our prisons population would be less if the lending institutions offered opportunities instead of destroying hope, dreams. Plaintiff believes he is a Victim, because Michigan National Bank of Detroit did not meet Plaintiff's Credit needs, this was the

concern which motivated Congress, when it enacted Community Reinvestment Act 1977, the legislative history of Community Reinvestment Act indicate that Congress clearly intended the Act to serve as a directive to Banking agencies to encourage financed institution to provide an adequate supply of housing and small business loans, in order to promote neighborhood stabilization and revitalization. Furthermore, the implementing regulations to carry out the purpose of Community Reinvestment Act 1977, Federal Reserve Board's Regulation BB, Sec.228-7 Assessing the Records of performance in connection with its origination of residential mortgage loans; housing rehabilitation loans, home improvement loans, or the purchase of such loans originated in its community; participation in governmentally insured, guaranteed, or sub-sidized loans programs for housing, and small business or small farms and participation including investments, in local community development and redevelopment projects or program. the Examiners (Federal Reserve Board) are also required to analyze the geographic distribution of the Banks Credit extensions, applications, and Denials.

iii. Civil Rights Act of 1966, all citizens have the same rights to inherit, purchase, lease, sell, hold, and convey property, (passed because of the 11th Amendment)

iiii. Civil Rights Act of 1968, Supported the 1966 Civil Rights and added that it was unlawful to discriminate because of Race, Creed, Color, Sex or national origin in giving opportunity to buy. (passes because of United States Suprem Court's Decision Jones vs Mayer 392 USA 409(1968))

4. Plaintiff has not received a loan from Defendants.

Plaintiff believes a loan granted by Defendants where the collateral upon which the credit was based on value of replacement cost.

a. Leonard Freeman "white man"

b. Michigan National Bank of Detroit

c. 7000 Loxye Plaintiff made application of SBA loan to purchase this property, but was told that it too was inadequate collateral by Michigan National Bank of Detroit.

5. Yes, Michigan National Bank of Detroit

6. Senior Vice President Stuart H. Mahler

7. See SBA loan application and Business Plan submitted with the Complaint

8 See paragraph #3 herein

9. The equal credit act is supported by the community reinvestment act 1977, housing and community development act public law 95-128 as amended Title VII Community Reinvestment Act 1977, Sec.301; Sec. 802(a) congress finds that: Regulated financial institutions are required by law to demonstrate that

their Deposit facilities serve the convenience and need of the communities in which are chartered to do business: the convenience and needs of communities include the need for credit service as well as deposit service and; regulated financial institution have continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered; Sec. 228-7(a)(b)(c)(d)(e)(f)(g)(h)(i)(j)(k)(l) also USC Vol.12 Sec. 2901-2905 (1978)

10. Plaintiff did, and found the pattern of institutional racism in 8 Banks in the City of Detroit after 14 years of experience, Senator Premire of the Banking, found the same thing throughout the country, that is why the Banking Committee passed the Community Reinvestment Bill.

a. All the Banks in the City of Detroit

b. Oct. 2, 1978

c. Denials

11. Yes, also there should have been approved under the market value appraisal that Senior Vice President Stuart H. Mahler made of \$769,000. evaluation with a \$369,000. surplus appraisal, 90% guarantee loan, with a 10% risk

12. lost opportunity of self employment for Plaintiff and his off-springs.

13. the facts of DISINVESTMENT by Defendants and non-complying with Community Reinvestment Act 1977.

a. Larco's Inn, 7525 West Hemicole, Detroit, Michigan replacement cost factor in 1978 market was \$15100 to \$25100 @ sq ft and there is 222,904 sq ft in Larco's Inn, but Plaintiff computed the replacement cost at \$10.00 sq ft @ 222,904, Chapp's Athletic Club Inc. Financing Proposal see Stuart H. Mahler's own figures on pg 5 of 6 out of 32, Senior Vice President Stuart H. Mahler told Plaintiff, "appraisal surplus was not owner's equity"

REQUEST DOCUMENTS

1. Application 33A, Business Plan

2. Copy of Leonard Freeman's Mortgage

3. Copy of Dorothy Little's Letter of Denial

Whereas Plaintiff herein, believes Punitive Damage are intended as a deterrent upon libeler so that the Defendants will not repeat the offense, and to serve as a warning to others, Banks, Lenders, Saving and Loans, Damage are intended for punishment for Gross Misbehavior for the Good of the Public and have been referred to as a sort of hybrid between the display of ethical indignation and the imposition of a criminal fine.

Plaintiff believes the purpose of Punitive Damages is to

punish and to act as a deterrent, unless the Damages cause pain to the Defendants, there is no deterrent and no punishment.

Therefore, Plaintiff seeks relief of Tort sought in the original Bill of Complaint of \$ 100,000,000..

Plaintiff , have read the above and say it is the truth to the best of his information and knowledge.

Relief, Plaintiff Respectfully Prays

Dated March 5 1981

Willis W. Chapman
Willis W. Chapman Pro Per
8590 Greenfield Rd. # 14
Detroit, Michigan 48228
313-584-7659 Res.
313-255-6770 Off.

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WILLIS T. CHAPMAN
Plaintiff,

VS

Filed 9/24/81
Civil No. 79-74777
HONORABLE PATRICIA J. BOYLE

MICHIGAN NATIONAL BANK OF
DETROIT SUBSIDIARIES, OF
MICHIGAN NATIONAL CORPORATION,
a BANK HOLDING COMPANY,
Defendants

FOURTH AMENDED COMPLAINT AND OTHER RELIEF

NOW COMES, Willis T. Chapman, Plaintiff herein, and by way of Complaint shows as follows:

1. This Action is brought before this HONORABLE COURT because of DISCRIMINATION BY MICHIGAN NATIONAL BANK OF DETROIT SUBSIDIARIES, OF MICHIGAN NATIONAL CORPORATION, a HOLDING COMPANY, in their loan practices, and their DISCRIMINATORY intent, and their DISCRIMINATORY effect upon the Plaintiff.

2. This Action is brought after Plaintiff had fourteen (14) years experience of DISCRIMINATION, from 1966 to 1980 and (7) seven DENIALS OF S.B.A. LOAN APPLICATIONS BY MICHIGAN NATIONAL BANK OF DETROIT.

3. This Action is brought because of Plaintiff's Race, which was the Factor of the unfair Lending Practices.

4. Plaintiff believes the Discrimination Practices by Defendants, DEPRIVES PLAINTIFF OF SELF-EMPLOYMENT.

5. This Action is brought because of Plaintiff's Race, which was the Factor of the unfair appraisal of Property offered as Collateral for the loan, which was GUARANTEED by the GOVERNMENT (90%) with only a (10%) RISK FACTOR.

6. Plaintiff believes the Discrimination Practices by Defendants method of EVALUATION of Property OFFERED as Collateral in the Black Community is based upon the Market Price or Comparable Sales with-in the neighborhood of the property offered, Deprives Plaintiff of Equal Credit Opportunity, whereas property offered as Collateral in a all white Community where there is no Blacks Living, the Evaluation of property is based upon Replacement Cost-Factor at today's Cost of Labor and Material, which CREATE OPPORTUNITY for Whites in a Low-risk neighborhood.

7. Plaintiff believes the Discrimination Practices by

3. Plaintiff believes the Discrimination Practices, by Defendants of DENYING Plaintiff's S.B.A. loan Application, on Property Offered as Collateral, WHICH WAS APPRAISED BY THE DEFENDANTS IN THE AMOUNT OF \$769,000., which was \$369,000. more than what Plaintiff made application for, this Discriminatory Conduct, Deprived Plaintiff from working for himself, Deprived Plaintiff of employment.

9. Plaintiff's expert witnesses, BERRY McQUADE, FRANK STEINER, EUGENE SMITH, CATHY STANLEY, PAT VALERIUS AND OTHERS who INVESTIGATED THE DEFENDANTS, AND FOUND A PATTERN OF DISCRIMINATION, EACH EXPERT WITNESSES STATEMENTS WOULD GIVE KNOWLEDGE OF THEIR ANALYSIS OF DEFENDANTS LEADING DISCRIMINATORY PATTERNS.

Whereas, Plaintiff, Prays this HONORABLE COURT GRANT
that Plaintiff should have ADEQUATE OPPORTUNITY TO FULLY DEVELOPE
THIS CASE BY WITNESSES AND A TRIAL.

L. Plaintiff believes Punitive Damages are intended as a Deterrent upon the Libeler so that the Defendants will not repeat the OFFENSE, and to serve as a warning to other, Banks, Lenders, Saving and Loans. Damages are intended for PUNISHMENT for GROSS MISBEHAVIOR for the GOOD of the PUBLIC and have been referred to as a sort of hybrid between the display of PUBLIC EMERGENCY and the IMPOSITION OF A CRIMINAL FINE. Plaintiff believes the PURPOSE of PUNITIVE DAMAGES is to PUNISH and ACT AS A DETERRENT. Unless the Damages cause PAIN TO THE DEFENDANTS, there is no DETERRENT and NO PUNISHMENT.

Plaintiff, have read the above and says it is the truth to the best of his information and knowledge.

Dated 24 August 1981

W. H. Chapman
8950 Greenfield Rd. # 14
Detroit, Michigan 48228
313 984-7659 Res.
313 295-6770 Off.

1 UNITED STATES OF AMERICA
2 UNITED STATES DISTRICT COURT
3 FOR THE EASTERN DISTRICT OF MICHIGAN
4 SOUTHERN DIVISION

5 WILLIS W. CHAPMAN,

6 Plaintiff,

7 vs.

8 No. 79-74777

9 MICHIGAN NATIONAL BANK OF DETROIT,
10 SUBSIDIARY, and MICHIGAN NATIONAL
11 CORPORATION, a bank holding company,

12 Defendants.

13 The Deposition of WILLIS WASH CHAPMAN,
14 taken before me, Fritz Roth, Notary Public, in and for the County
15 of Oakland, State of Michigan, at 1400 West 14 Mile Road, Clawson,
16 Michigan, on Friday, September 4, 1981.

17 APPEARANCES:

18 WILLIS W. CHAPMAN,

19 Appearing in Pro Se

20 RUSS E. BOLTE, ESQ.

21 Appearing on behalf of Defendants

22 Reported by: Fritz Roth
23 1030 Penobscot Building
24 Detroit, Michigan 48226
25 962-6021

1 Q Mr. Chapman, you have alleged that property offered, quote,
2 as collateral in an all-white community where there is no
3 blacks living the evaluation of the property is based upon
4 replacement cost factor at today's cost of labor and material;
5 right?

6 A That's --

7 Q That is what you said?

8 A Yes.

9 Q Can you name me any instance that you had in which Michigan
10 National Bank of Detroit has extended credit to any person,
11 white, black, Spanish surname, or oriental, for the evaluation
12 of property based upon replacement cost?

13 A The only one that I know of is Mr. Fillman who has a mortgage
14 of \$600,000.00 on the Lonyo property, and I applied for a loan
15 through Michigan Bank on the same property and Michigan Bank
16 told me that that property was insufficient for collateral
17 although they gave him, Mr. Leonard Fillman, \$600,000.00 on
18 that property. That's the only one I knew of.

19 Q I believe it's Friedman.

20 A No, that's not the gentleman's name. Mr. Friedman was repre-
21 senting Mr. Fillman, a Mr. Fillman out of California. He was
22 the purchaser. I think there is an application or a copy of
23 his mortgage in the court file. Leonard Fillman, that's what
24 it is.

25 Q That's Leonard Friedman, F-r-i-e-d-m-a-n.

1 A Friedman, yes, yes.

2 Q Now, Mr. Chapman, in your answers to interrogatories you have
3 indicated that you will call a Dr. Charles Ipcar as an expert
4 witness in this case.

5 A Yes.

6 Q Where does Dr. Ipcar live?

7 A I think in Lansing.

8 Q Michigan?

9 A Yes.

10 Q Do you have an address for him?

11 A Hmm....No, I do not.

12 Q How did you learn of Dr. Ipcar?

13 A Being a concerned citizen about the lending policies of
14 Michigan National Bank I attended several meetings with a
15 community no, Michigan Committee on Law and Housing who
16 had filed a challenge against Michigan National Bank in 1979.
17 I met Mr. Charles Ipcar then.

18 Q Have you spoken to him since then?

19 A I spoke to him, yes, yes, since then.

20 Q When did you last speak with him?

21 A The last time I spoke with him was....I can't remember, but
22 I think it was January of this year.

23 Q Did you discuss this case with him?

24 A No.

25 Q Does he know that he will be called as a witness in this case?

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

9/30/81
Filed
9/30/81

WILLIE T. CHAPMAN
Plaintiff,

VS

Civil No. 79-74777
HONORABLE PATRICIA J. BOYLE

MICHIGAN NATIONAL BANK OF DETROIT,
SUBSIDIARY OF MICHIGAN NATIONAL
CORPORATION,
Defendants,

ANSWER TO DEFENDANT'S SECOND SET
OF INTERROGATORIES TO PLAINTIFF

NOW COMES, WILLIE T. CHAPMAN, Plaintiff, in Pro Per,
only, by and submits the following answers:

1. With regard to the person making answer to these
interrogatories, please state:

- (a) Name, Willie T. Chapman
- (b) Address, 8550 Greenfield Rd. # 14, Detroit, MI 48228
- (c) Occupation, Real Estate Salesman
- (d) Employer, Century 21 DuPont Realtors
- (e) Business Address, 18801 W. 7 Mile Rd.

2. Has plaintiff Willie T. Chapman ever been convicted of
a crime? If yes, for each conviction please state: None see
police record. (attached)

3. Please state the name, residence, address, occupation,
employer's name and business address of each person who Plaintiff
Willie T. Chapman will call as a witness at the trial of this
matter. AS TO EACH WITNESS, state in detail the expected testi-
mony such witness will provide at trial.

(a) Frank E. Steiner, Executive Director of Michigan
Housing Coalition, The Woodward Tower, 10 Fisherell St., Suite
2506, Detroit, Michigan 48226, ANALYSIS OF MORTGAGE DATA, LENDING
PATTERN DATA, AND RACE DATA.

(b) BOBBY MCCLANE, 307 47 E. Adams St., Detroit, Michigan
48226, ANALYSIS OF THE BANK'S MORTGAGE DISCLOSURE STATEMENTS,
regarding the Bank's lending pattern.

4. Please state the name, residence, address, occupation,
employer's name and business address of each person who Plaintiff
Willie T. Chapman may call as a witness at the trial of this
matter. AS TO EACH WITNESS, state in detail the expected testi-
mony such witness will provide at trial. ERMA HENDERSON President,
Detroit City Council, 1300 E. Lafayette Towers Detroit, Michigan
48226., Chairperson for STARTING COALITION ON REDLINING and
NEIGHBORHOODS REGARDING BANK'S LENDING PRIORITIES in Detroit.

5. Will Plaintiff Willie T. Chapman call witness who will
be qualified as experts within the meaning of Federal Rule of
Evidence Rule 702? If yes, for each such witness state: YES:

- (a) witness name; DR. CHARLES WPCAR
- (b) address; 731 Genessee, Lansing Michigan 48915
- (c) occupation; Program Analyst
- (d) employer's name; Michigan Occupational Information
Coordination Committee

(e) business address; P.O. Box 30015, Lansing, Michigan
48909

- (2) education; Michigan State

(2) academic degrees earned; ~~AND~~
(2)(4)(5) any other knowledge, skill, experience, training or education that will qualify each such person as an expert witness; received a National Science Foundation grant to research financial institutions lending patterns in the Lansing and Detroit communities.

(2) the substance of the testimony that each such person will state at trial. based upon the analysis of data available from the lending institution under the Home Mortgage Disclosure Act, 12 U.S.C. 2801, et seq., Michigan National Bank of Detroit's statements

6. Did Plaintiff Willis W. Chapman apply at any time in the past for credit or the extension of credit, from any financial institution in the County of Wayne, the County of Oakland, and/or the County of Macomb? If yes, please state: Yes, NED, 300, FNB, DBC, CMB, LIBERTY STATE BANK, MNB, MNB of Troy, Michigan

(b) the date of each application to each financial institution; Oct. 2, 1978

(c) whether any one or more of such application was granted. If granted, please state: none

(d) whether any one or more of such applications was denied. If denied, please state: denied

(i) the date of such denial; Nov. 1978 MNB of Detroit.

(ii) whether reasons for each said denial were given in writing; no.

(iii) if given in writing, what were the reasons for denial, insufficient collateral, without an appraisal, Michigan Bank of Detroit also said the same thing, also without an appraisal.

7. will Plaintiff Willis W. Chapman seek to introduce into evidence at trial of this matter any documents, things, or demonstrative evidence in support of the allegations made in the Complaint? If yes, please state, as to each such document, thing or item of demonstrative evidence: Yes upon discovery.

(a) the name of the custodian of such item, his/her address and telephone number; previous wife's telephone number and address unknown.

(b) the contents of such item: denial letters from 1966 to 1974.

(c) if written, the name of the person who prepared such item: can't remember.

(d) if written, the name of the person to whom the item was directed. Willis W. Chapman:

Plaintiff, have read the above and says it is the truth to the best of his information and knowledge.
THUS, PLAINTIFF REQUESTS THAT

Dated September 30, 1981

Willis W. Chapman
Willis W. Chapman, per se:
3550 Greenfield Rd. #14
Detroit, Michigan 48226
313 584-7559 Res.
313 255-6770 Off.

100-100000
 ACCORD.

DETROIT POLICE
 DEPARTMENT

OUR NUMBER

116017

Officer	Name and Number	Date	Charge	Disposition
---------	-----------------	------	--------	-------------

Det. Wm.	William Chapman #139037	12-25-51	Inv. Negligent Domestic	12-26-51 disc no case
"	"	12-1-52	Ind. Language	12-2-52 625 or 30 da DEC
"	"	2-9-53	Inv. Mutual Oper.	2-10-53 disc no case
"	William Chapman #139037	9-5-55	CDV	9-7-55 disc. re-reg 9-7-55
"	"	9-5-55	Poss. of Un-reg. Gun	9-7-55 625 or 30 da DEC
"	William Chapman #139037	7-20-56	Inv. Viol. State Game Law	7-20-56 disc no case
"	"	12-11-57	Trass Warr	12-13-57- 66 fine
"	"	1-22-62	No Oper License	1-22-62 625 or 5 days DEC

FORWARDED TO
 BY 1-22-62
 1-22-62

FORWARDED TO

BY 1-19-68
1-19-68

16
 MASTER RECORD

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

Filed
10/5/81

WILLIS W. CHAPMAN,
Plaintiff,

vs

No. 79-74777
HON. PATRICIA J. BOYLE

MICHIGAN NATIONAL BANK OF DETROIT,
SUBSIDIARIE, AND MICHIGAN NATIONAL
CORPORATION, a bank holding company,

Defendants.

AFFIDAVIT OF JOSEPH A. DROBOT

STATE OF MICHIGAN)
COUNTY OF OAKLAND) SS

JOSEPH A. DROBOT, being first duly sworn, on oath
deposes and says that:

1. I am a Commercial Loan Officer of Defendant, Michigan
National Bank of Detroit, and I have been employed by Michigan
National Bank of Detroit since 19 75.

2. As a Commercial Loan Officer for Michigan National
Bank for several years, I am familiar with the loan policies and
procedures of Michigan National Bank of Detroit as they have
been, from time to time in effect.

3. At a time between August 23, 1979, and December 10,
1979, Fred Romanoff, a Vice President of Michigan National
Corporation, requested Stuart Mahler, then an officer of
Michigan National Bank of Detroit, and I to review a previously
denied application for an SBA loan. This application had been
prepared by Plaintiff Willis W. Chapman.

4. The purpose of the review conducted by Mr. Mahler and I was to review the documents submitted previously by Mr. Chapman and inform him why they could not even be considered as a formal requirement. Specifically, the documents were not prepared in conformity with generally accepted accounting principles. Mr. Chapman was told that this non-conformity meant that any documents in such a form submitted by anyone could not be treated as an application. Mr. Chapman was advised to obtain the services of an accountant to assist him.

5. At no time during the review conducted by Mr. Mahler and myself were these documents treated as an application. Upon our completion of the review, the documents were returned to Mr. Chapman. See Exhibit A.

Joseph Drobot
JOSEPH DROBOT

Subscribed and sworn to before me
this 5 day of October, 1981.

William L. Jones, Notary
Notary Public, Macomb County, MI
My Commission Expires: 1983



MICHIGAN NATIONAL BANK
OF DETROIT

1000 Exchange - P.O. Box 138
The Michigan Trust Co. Bldg. 1000 Exchange

January 20, 1940

Mr. Willis F. Chapman
3116 Greenfield, Apt. 10
Detroit, Michigan 48216

Dear Mr. Chapman:

The enclosed loan package was referred to me by Mr. Fred Romanoff for review, and in fact was never considered as a loan application for credit. Therefore, we are returning this package to you at your request.

Very truly yours,

Stuart H. Hunter
Senior Vice President

SHH:sn

Enclosure

cc: Fred Romanoff
A. Brown

10/6/81

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WILLIS W. CHAPMAN,
Plaintiff,

vs

No. 79-74777
HON. PATRICIA J. BOYLE

MICHIGAN NATIONAL BANK OF DETROIT,
SUBSIDIARIE, AND MICHIGAN NATIONAL
CORPORATION, a bank holding company,
Defendants.

AFFIDAVIT OF FRED J. ROMANOFF

STATE OF MICHIGAN)
) SS
COUNTY OF OAKLAND)

FRED J. ROMANOFF, being first duly sworn, on oath
deposes and says that:

1. I am a Vice President of Defendant Michigan National Corporation, a Delaware corporation, and I have been employed by Michigan National Corporation and/or its subsidiaries since 1967.

2. As both an attorney and a former Deputy Mayor of the City of Detroit, I am familiar with civil rights laws and requirements regarding the extension of credit on an equal opportunity basis.

3. On or about August 23, 1979, I attended, as a representative of Michigan National Corporation, a meeting of the Board of Governors of the Federal Reserve System convened to consider the application of Michigan National Corporation to acquire the Litchfield State Bank. At this meeting were individuals and organizational representatives who indicated their opposition to the application. One such individual was Plaintiff WILLIS W. CHAPMAN.

4. At that hearing, Mr. Chapman complained of a wrongful prior denial of credit in a business loan by Defendant MICHIGAN NATIONAL BANK OF DETROIT. Specifically, he indicated that an application for a loan, to be 90% guaranteed by the Small Business Administration, had been denied to him because of his race.

5. In support of these allegations, Mr. Chapman and members of the Michigan Committee on Law and Housing, of which he was a member, asked me to consider a hypothetical loan application and to tell the Federal Reserve Board why such an application would be rejected if submitted. I was not prepared to respond to this question at the time, but instead informed Mr. Chapman that I would investigate the reasons for denial of such an application and respond. I specifically told him that I could not change his prior denial. Additionally, since I was not present at the hearing on behalf of MICHIGAN NATIONAL BANK OF DETROIT, since I was not a loan officer, and the document was not submitted through normal application channels, I told Mr. Chapman that I could not treat the review of the reasons for the earlier denial as a new application. Mr. Chapman then produced a copy of the application and supporting documents attached hereto as Exhibit A.

6. Upon my return to my offices, I requested Messrs. Stuart H. Mahler and Joseph Drobot, both officers of Michigan National Bank, to review Mr. Chapman's earlier application. Messrs. Mahler and Drobot did so, and, in the course of their regularly conducted business, advised me of the results of their review in the two memoranda attached hereto as Exhibits B and C.

7. At no time could the documents given to me by Mr. Chapman have been considered as an "application" for credit.

since, among other things, the Offer to Purchase, Exhibit 2, was executed approximately one year before, i.e., on September 8, 1978, and expired, by its own terms, 90 days later, i.e. December 7, 1978, and was, consequently, no longer in effect.

8. It is not possible that Michigan National Corporation denied Plaintiff Willis W. Chapman the right to "make and enforce contracts" protected by 42 U.S.C. §1981:

(a) Michigan National Corporation is not a bank, and is not authorized under any state or federal law to engage in lending money. This Court recognized that in dismissing Michigan National Corporation as a defendant to the Equal Credit Opportunity Act claim made by Plaintiff.

(b) The only kind of contract that Mr. Chapman has indicated he wanted was to borrow money. Michigan National Corporation does not engage in the business of lending money. Michigan National Corporation did not discriminate against Mr. Chapman since it would deny the application of any person or entity which sought a general purpose or government-guaranteed commercial loan.

9. I am aware of the written Michigan National Bank of Detroit Lending Policy attached as Exhibit 2. Michigan National Bank of Detroit did not discriminate against Plaintiff WILLIS W. CHAPMAN due to his race in its denial, in 1978, of his loan application.

(a) Mr. Chapman has alleged that Defendants appraise collateral pledged as security for commercial loans by white borrowers based on "replacement cost" while loans to "poor blacks" require collateral appraised at market value.

(b) Michigan National Bank of Detroit does not value collateral, in determining the lend of collateralization of a loan for commercial purposes, on a "replacement cost" basis. This is because the purpose of collateral is to insure a source of funds adequate to pay unpaid principal and interest if the borrower defaults. The only way collateral can be converted to funds to pay such balances is for it to be sold, and commercial practice, required by law, is for collateral to be sold on the open market. Since replacement cost bears no relationship to what property will be sold for, it cannot prudently be used in any appraisal for collateral purposes.

(c) As shown in the Application, Exhibit A, Mr. Chapman agreed to pay \$300,000.00 for Laro's Inn, a restaurant/night club, with a \$100,000.00 down payment and the remainder payable on a land contract. He sought a loan for \$400,000.00, the proceeds of which would be used to make the down payment and to pay off a previous defaulted Small Business Administration Loan. This transaction, if accomplished, would have resulted in 100% financing, i.e., all of the risk would have been borne by lenders, since Mr. Chapman was making no cash investment at all.

(d) The materials submitted to me for review, while not treated by either Michigan National Corporation or Michigan National Bank of Detroit as an application, see Exhibit F, letter from Stuart Mahler, demonstrate that Mr. Chapman presented an unacceptable credit risk.

(i) Mr. Chapman has admitted a record of prior criminal convictions, issuance of an on-premises consumption license by the Michigan Liquor Control Commission was doubtful. See Mich Administrative Code R 436.1103
(2)(g). See Deposition of Willis W. Chapman.

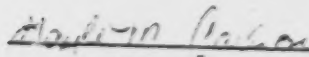
(ii) Mr. Chapman had previously defaulted on an earlier Small Business Administration loan, on which there was a balance due in excess of \$100,000.00. See Exhibit F.

(iii) Mr. Chapman had previously defaulted on a mortgage for \$18,000.00 on his residence. This mortgage was on the only real estate Mr. Chapman owned, as shown in the Financial Statement in the Small Business Administration application, Exhibit F. In fact, Mr. Chapman had no equity in the property, since it had been foreclosed in 1976, and the redemption period had run. See Exhibit F.

(e) Consequently, the denial of the 1978 application was not racially motivated, but was actuated by the extremely high risk presented by Mr. Chapman in this transaction.


FRED J. ROMANOFF

Subscribed and sworn to before me
this 10th day of October, 1981.


Notary Public, Calhoun County, MI
My Commission Expires: 6-12-82

EXH A

SA LOAN NUMBER

PH/INT show office some without direct or indirect connection in a part of the office home, but perspective of perspective, other building
t. shown by d/b/s and trade route, if any

WILLIS W. CHAPMAN		8550 GREENFIELD	
CITY DETROIT	COUNTY WAYNE	STATE MICHIGAN	RD Code 15218
Owner's I.D. Number	Date of Application	Amount of Loan Requested	Collateral Requested
		\$ 400.000	15 Yrs.
Kind of Business: Supper Club with Breakfast entertainment and Dancing		Date Established: 1957 <input type="checkbox"/> Existing Business <input type="checkbox"/> New Business	Number of Employees (including owner- ship and affiliates): As Time of Application: 20 If Loan is Approved: 10
Check <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, Submit Copy			
Use of Proceeds: New Acquisition _____ New Building or plant construction _____ Other Purpose _____		Acquisition and/or repair of machinery and equipment: \$ 100.550 Working Capital: \$ 914.50 Other: \$ 100.000 Total: \$ 1,005,050	

SUMMARY OF COLLATERAL OFFERED (Amount received less of collateral offered - See item 81164, page 12)

	Cost	Net Book Value (Cost Less Depreciation)	Present Liens Or Mortgage Balance, if Any
Land and Buildings			
Transportation machinery and equipment	\$ 400,000	\$ 1,219,101	\$ 200,000 LC.
Business furniture and fixtures		110,569-282	
Accounts receivable			
Inventory		815,792-28414	
Other Assets			

ADDITIONAL SECURITY, PAYMENT OF THE OATH AND BE SUBSCRIBED BY

Name and Address (Include ZIP Code and Social Security Number of Guarantor) (Each provision must submit a signed personal balance sheet as of the same date as the applicant's balance sheet)	Net Worth Outside GI Interest in Applicant Company
JBA	5

33

[illegible]

NAME AND ADDRESS (See also ZIP Code)		Date of Birth (Month and Day)
M. G. G.		

7. "EMPLOYMENT" is Name of all partners, officers, directors or partners and their heirs, compensation, including salaries, fees, commissions, etc. (complete list required); (2) Name and compensation of all employees receiving a salary of \$1,000 annually; (3) All shareholders having a 10% or more interest in capital stock; complete list of names and addresses of all shareholders; (4) All managers.

Name (Last first, middle, surname & year) (If the middle name, or none)	Office Held	Annual Compensation	Percent Ownership	Percent Guaranty Offered (Yes or No)	Insurance Carried by Service of Applicant
napman, Willis Ward	Pres. Chm.	\$30,000	5%	Yes	yes
napman, Willis Earl	Gen. Mgr	\$30,000	1%	No	
napman, Carolyn Faye	V. Pres. Sec	\$30,000	1%	No	
erry, Rose Walker	Gen. Mgr	\$30,000	1%	No	

1. NAME _____

[illegible]

பேரறிவுறுத்தலுக்குரியவர்களுக்கு உரிமைகளை வழங்குவதில் அரசு தாமதமாகிறது என்றும், அதன் காரணமாக அந்த அமைப்புகள் அரசுக்கு எதிராக செயல்படுகின்றன என்றும் குறிப்பிட்டுள்ளதாக அமைப்புகளின் தலைவர்கள் தெரிவித்தனர்.

31

[illegible][illegible]

INSTRUCTIONS TO APPLICANT

1. **Instructions to Applicant** - Submit one copy of this form and all supporting documents to SBA.

2. **Participation Loans** - Submit two copies of this form and all supporting documents to the participating bank. All attachments must be signed and dated.

- (1) SBA Form 912 must be submitted in quadruplicate to the applicant, if a sole proprietorship, to each partner, if a partnership, to each officer, director, and each holder of 1% percent or more of the voting stock, if a corporation, and other person, including a third manager, who has authority to execute or endorse the documents for management of the business. In addition, applicants must submit a signed copy of SBA Form 912, "Statement of Understanding," with the application.
- (2) Attach to application a brief description and history of the business.
- (3) Comment briefly on the benefits the business will receive if the loan is obtained.
- (4) Attach a schedule on all installment debts, contracts, notes and mortgages payable, showing to whom payable, original amount, original date, present balance, rate of interest, maturity date, monthly payment, currency and whether current or delinquent. (Amounts on this schedule should agree with the figures on the applicant's financial statements.) Indicate by an asterisk (*) items to be paid by loan proceeds and reason for paying same.
- (5) If construction is involved, state the estimated cost, source of any additional funds, which may be required to complete the construction and whether temporary financing for the construction is available. Furnish preliminary plans and specifications with the application. Final plans and specifications must be submitted for SBA/Lender approval prior to commencement of construction if loan is approved.
- (6) These loan funds will be used for construction purposes, and the contract or subcontracts are in excess of \$10,000, the Applicant must execute and submit with the application "Applicant's Agreement of Compliance," SBA Form 601, which is a non-discrimination agreement issued pursuant to Executive Order 11246.
- (7) Where purchase of machinery and equipment is involved, furnish a detailed list of items to be purchased and the estimated cost thereof.
- (8) For each person listed in "Management" give brief description of education, technical training, employment and business experience.
- (9) Attach balance sheets for the past 3 fiscal years.
- (10) Attach balance sheet dated within 90 days from date of filing application with aging of accounts receivable and payable.
- (11) Attach Profit and Loss Statement for past three fiscal years and for as much of current year as is available. (If operating statements are not available, explain why not and enclose corresponding Federal income tax returns in lieu thereof.) If past earnings do not show ability to repay proposed loan and existing obligations, attach an estimated profit and loss statement for at least one full year.
- (12) Recirculation of net worth shall be provided for items (9) and (10) above.
- (13) ~~Enclosure~~ furnish earnings projection (estimated profit and loss statement) for at least 2 full year.
- (14) Personal Financial Statements must be submitted for proprietors, each partner, each officer, and each stockholder with 20% or more ownership. (For this purpose the enclosed SBA Form 413 may be used.)
- (15) Details must be given of any pending litigation, whether applicant is plaintiff or defendant or any litigation that involves management of the applicant.
- (16) A description of collateral is required. Attached SBA Forms may be used for this purpose. SBA/ Bank may require submission of an appraisal.
- (17) **SUBSIDIARIES AND AFFILIATES** - List on an attached sheet the names and addresses of (1) all concerns that may be regarded as subsidiaries of the applicant, including concerns in which the applicant holds a controlling interest, not necessarily a majority interest, and (2) all other concerns that are in any way affiliated, or under ownership or otherwise, with the applicant. The applicant should comment briefly regarding the nature relationship between the applicant and such subsidiaries or affiliates, if any, and if the applicant has no subsidiary or affiliate, a statement to this effect should be made. Signed and dated balance sheets, operating statements and recirculation of net worth must be submitted for all subsidiaries and affiliates.
- (18) **PURCHASE AND SALES RELATIONS WITH OTHERS** - Does applicant buy from, sell to, or use the services of, any concern in which an officer, director, large stockholder, or partner of the applicant has a substantial interest?
☐ Yes ☐ No If "Yes" give names of such officers, directors, stockholders, and partners, and names of any such concerns on attached sheet.
- (19) **RECEIVERSHIP-BANKRUPTCY** - Has applicant or any officer of the applicant or affiliates or any other concern with which such officer has been connected ever been a receivership or adjudicated a bankrupt?
☐ Yes ☐ No If "Yes" give names and details on separate sheet.
- (20) **Previous Government Financing** - List assistance received, or requested and refused, and any pending applications.

Name of Agency or Department (including SBA)	Amount Approved or Requested	Date of Approval or Refusal	Present Balance	Status (Current, Delinquent, Amount Approved)
SBA	\$100,000	May 12, 74 & 97, 93		Delinquents

25

[illegible]

Only, have on the premises and is paid hereafter. The sum of Five million, Two hundred and fifty thousand Dollars (\$5,250,000.00) is hereby loaned to the existing building and use extensions, equipment, and other improvements, and other purposes, as may appear to the party of the first part.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the said County of San Diego at the City of San Diego, California, this 15th day of April, 1920.

A. CASH SALE: Delivery of the vessel warrants; Debt forgiven; Discharge of the payment of purchase money; 1 to 10 days in 1990 or 1991.

8. CASH SALE WITH NEW MORTGAGE. Delivery of the above Warranty Deed conveying a mortgage to. Payment of purchase money is to be made in cash or certified checks. This agreement is contingent upon the purchaser being able to secure a 5.5% mortgage in the amount of \$100,000.00 and pay it 30 down plus mortgage costs, prepaid taxes, and delinquencies in cash. Purchaser agrees to repay for such mortgage within 30 days from acceptance of this offer or his own expense. If a time commitment for such mortgage cannot be obtained within 30 days from date of acceptance, or the Seller's option, this offer can be declared null and void and deposit shall be returned. An exchange required by order on purchaser's demand.

[illegible][illegible]

2. The Seller shall deliver and the Purchaser shall accept possession of said property subject to the rights of the following persons: none

1. The Seller declares the property is shall be received on or before 12/15/2012 days after closing from the sale of property is the general obligation of the Seller to deliver the property to the Buyer. If the Seller fails to deliver the property to the Buyer on or before the date specified above, the Seller shall be liable to the Buyer for the amount of the purchase price of the property. The Seller shall be liable to the Buyer for the amount of the purchase price of the property if the Seller fails to deliver the property to the Buyer on or before the date specified above.

3. The broker is hereby authorized to make this order and the deposit of \$50.00

[illegible]

ADDITIONAL COMMENTS: I am not aware of a record. This letter is addressed to the Bureau being returned for an S.B.A. insured loan on or before 22 days after issuance of said letter by the Seller. Purchaser agrees to pay to Seller \$100,000.00 in cash at time of closing and give said Seller for \$200,000.00 2 1/2 years, 5% interest rate, \$1000.00 monthly payments. *1000.00*

TERMS AND CONDITIONS of sale printed on reverse side are incorporated and made a part hereof. This is a cash sale, and the Buyer acknowledges the parties to this agreement intend to proceed with their transaction on this date and the Buyer agrees to pay the purchase price.

PRESENCE OF James J. [illegible]
 D-100 [illegible]
 [illegible]

BROKER'S ACKNOWLEDGMENT OF DEPOSIT

I received from my above named customer the deposit money herein mentioned which will be deposited by me as directed in Sections 2 above and 3 hereof.

The securities (if any) other than the foregoing offer and deposit I delivered:

ARTHUR C. BOWLES Broker N.Y.

Rose Perry

ACCEPTANCE TO THE ABOVE NAMED PURCHASER AND SPOKE:

1-10-68 10:00 AM

See next page

لا اله الا الله محمد رسول الله

1. The first step in the process is to identify the problem or issue that needs to be addressed. This involves gathering information and understanding the context of the problem.

26

GENERAL CONDITIONS

- ORIGINAL CONDITIONS: 1. Public-use fixtures, equipment and stock transfer
2. Use of the value, appraised 1962, by seller
3. Use of the fixtures, 1948 to 1962

27

422

72 200 10 2000 2000 2000 2000

U. S. S. R.



BUSINESS PLAN

Applicant & Co. Date
City & State

This "Abstract of" business plan is not its entire. More complete publications are available from the U.S. Small Business Administration. The Management Assistance Personnel in the district office will provide more comprehensive business plans for your type of business or assist you in completing this form should you request it.

Use a separate sheet if necessary in answering questions to Part I. Some questions, such as number 3, should identify what standards you have investigated and which ones you must conform to in your type of business. Part II must be completed by all applicants for direct SBA or TIA loans. Part III must be completed whenever such a direct loan application is to start a new business or in the other situations listed in that Part.

PART I

LOCATION

1. Why did you select your present or the proposed location?

2. Is the neighborhood: ☐ new ☒ established ☐ residential ☒ commercial

3. Who will be your customers and why will they come to you at this location?

THE ONLY CLUB OF IT TYPE

4. What parking facilities are available to you? Will they be adequate?

YES

5. What are the terms of your lease (enclose a copy of the lease), or the terms of your mortgage?

\$ 500,000

300,000 DOWN

200,000 CASH CONTRACT & 95 PCT 1 YR. 9 PCT 2 YRS

6. What is the physical condition of the building? ☒ good ☐ fair ☐ poor

7. What competition do you have in this location? How close?

None

Only soul food

8. Have you determined whether your building complies with local building codes and zoning ordinances, Occupational Health and Safety Regulations, Environmental Protection (air, water, and noise) Regulations? Others?

Yes, it is in operation

9. What licenses or permits are you required to have to start operations?

FOOD, LIQUOR, SALE TAX, ETC.

PRICING AND ADVERTISING

10. Your merchandise will sell and what price range? ☐ high ☒ medium ☐ low

11. Will you sell only for cash? ☒ yes ☐ no

12. If you offer credit, will your prices have to be higher?

NO

13. How do your prices compare with your competitors? If yours are higher, why will people buy from you?

DIFFERENT TYPE OF FOOD

14. What type of advertising will you use ☐ radio ☒ TV ☐ handbill ☐ newspaper ☐ other (specify) _____
Why? How often? How much will it cost?

FOR CUSTOMERS, 10, 15, 20, 25, 30, 35, 40, 45, 50, 55, 60, 65, 70, 75, 80, 85, 90, 95, 100, 105, 110, 115, 120, 125, 130, 135, 140, 145, 150, 155, 160, 165, 170, 175, 180, 185, 190, 195, 200, 205, 210, 215, 220, 225, 230, 235, 240, 245, 250, 255, 260, 265, 270, 275, 280, 285, 290, 295, 300, 305, 310, 315, 320, 325, 330, 335, 340, 345, 350, 355, 360, 365, 370, 375, 380, 385, 390, 395, 400, 405, 410, 415, 420, 425, 430, 435, 440, 445, 450, 455, 460, 465, 470, 475, 480, 485, 490, 495, 500, 505, 510, 515, 520, 525, 530, 535, 540, 545, 550, 555, 560, 565, 570, 575, 580, 585, 590, 595, 600, 605, 610, 615, 620, 625, 630, 635, 640, 645, 650, 655, 660, 665, 670, 675, 680, 685, 690, 695, 700, 705, 710, 715, 720, 725, 730, 735, 740, 745, 750, 755, 760, 765, 770, 775, 780, 785, 790, 795, 800, 805, 810, 815, 820, 825, 830, 835, 840, 845, 850, 855, 860, 865, 870, 875, 880, 885, 890, 895, 900, 905, 910, 915, 920, 925, 930, 935, 940, 945, 950, 955, 960, 965, 970, 975, 980, 985, 990, 995, 1000, 1005, 1010, 1015, 1020, 1025, 1030, 1035, 1040, 1045, 1050, 1055, 1060, 1065, 1070, 1075, 1080, 1085, 1090, 1095, 1100, 1105, 1110, 1115, 1120, 1125, 1130, 1135, 1140, 1145, 1150, 1155, 1160, 1165, 1170, 1175, 1180, 1185, 1190, 1195, 1200, 1205, 1210, 1215, 1220, 1225, 1230, 1235, 1240, 1245, 1250, 1255, 1260, 1265, 1270, 1275, 1280, 1285, 1290, 1295, 1300, 1305, 1310, 1315, 1320, 1325, 1330, 1335, 1340, 1345, 1350, 1355, 1360, 1365, 1370, 1375, 1380, 1385, 1390, 1395, 1400, 1405, 1410, 1415, 1420, 1425, 1430, 1435, 1440, 1445, 1450, 1455, 1460, 1465, 1470, 1475, 1480, 1485, 1490, 1495, 1500, 1505, 1510, 1515, 1520, 1525, 1530, 1535, 1540, 1545, 1550, 1555, 1560, 1565, 1570, 1575, 1580, 1585, 1590, 1595, 1600, 1605, 1610, 1615, 1620, 1625, 1630, 1635, 1640, 1645, 1650, 1655, 1660, 1665, 1670, 1675, 1680, 1685, 1690, 1695, 1700, 1705, 1710, 1715, 1720, 1725, 1730, 1735, 1740, 1745, 1750, 1755, 1760, 1765, 1770, 1775, 1780, 1785, 1790, 1795, 1800, 1805, 1810, 1815, 1820, 1825, 1830, 1835, 1840, 1845, 1850, 1855, 1860, 1865, 1870, 1875, 1880, 1885, 1890, 1895, 1900, 1905, 1910, 1915, 1920, 1925, 1930, 1935, 1940, 1945, 1950, 1955, 1960, 1965, 1970, 1975, 1980, 1985, 1990, 1995, 2000, 2005, 2010, 2015, 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055, 2060, 2065, 2070, 2075, 2080, 2085, 2090, 2095, 2100, 2105, 2110, 2115, 2120, 2125, 2130, 2135, 2140, 2145, 2150, 2155, 2160, 2165, 2170, 2175, 2180, 2185, 2190, 2195, 2200, 2205, 2210, 2215, 2220, 2225, 2230, 2235, 2240, 2245, 2250, 2255, 2260, 2265, 2270, 2275, 2280, 2285, 2290, 2295, 2300, 2305, 2310, 2315, 2320, 2325, 2330, 2335, 2340, 2345, 2350, 2355, 2360, 2365, 2370, 2375, 2380, 2385, 2390, 2395, 2400, 2405, 2410, 2415, 2420, 2425, 2430, 2435, 2440, 2445, 2450, 2455, 2460, 2465, 2470, 2475, 2480, 2485, 2490, 2495, 2500, 2505, 2510, 2515, 2520, 2525, 2530, 2535, 2540, 2545, 2550, 2555, 2560, 2565, 2570, 2575, 2580, 2585, 2590, 2595, 2600, 2605, 2610, 2615, 2620, 2625, 2630, 2635, 2640, 2645, 2650, 2655, 2660, 2665, 2670, 2675, 2680, 2685, 2690, 2695, 2700, 2705, 2710, 2715, 2720, 2725, 2730, 2735, 2740, 2745, 2750, 2755, 2760, 2765, 2770, 2775, 2780, 2785, 2790, 2795, 2800, 2805, 2810, 2815, 2820, 2825, 2830, 2835, 2840, 2845, 2850, 2855, 2860, 2865, 2870, 2875, 2880, 2885, 2890, 2895, 2900, 2905, 2910, 2915, 2920, 2925, 2930, 2935, 2940, 2945, 2950, 2955, 2960, 2965, 2970, 2975, 2980, 2985, 2990, 2995, 3000, 3005, 3010, 3015, 3020, 3025, 3030, 3035, 3040, 3045, 3050, 3055, 3060, 3065, 3070, 3075, 3080, 3085, 3090, 3095, 3100, 3105, 3110, 3115, 3120, 3125, 3130, 3135, 3140, 3145, 3150, 3155, 3160, 3165, 3170, 3175, 3180, 3185, 3190, 3195, 3200, 3205, 3210, 3215, 3220, 3225, 3230, 3235, 3240, 3245, 3250, 3255, 3260, 3265, 3270, 3275, 3280, 3285, 3290, 3295, 3300, 3305, 3310, 3315, 3320, 3325, 3330, 3335, 3340, 3345, 3350, 3355, 3360, 3365, 3370, 3375, 3380, 3385, 3390, 3395, 3400, 3405, 3410, 3415, 3420, 3425, 3430, 3435, 3440, 3445, 3450, 3455, 3460, 3465, 3470, 3475, 3480, 3485, 3490, 3495, 3500, 3505, 3510, 3515, 3520, 3525, 3530, 3535, 3540, 3545, 3550, 3555, 3560, 3565, 3570, 3575, 3580, 3585, 3590, 3595, 3600, 3605, 3610, 3615, 3620, 3625, 3630, 3635, 3640, 3645, 3650, 3655, 3660, 3665, 3670, 3675, 3680, 3685, 3690, 3695, 3700, 3705, 3710, 3715, 3720, 3725, 3730, 3735, 3740, 3745, 3750, 3755, 3760, 3765, 3770, 3775, 3780, 3785, 3790, 3795, 3800, 3805, 3810, 3815, 3820, 3825, 3830, 3835, 3840, 3845, 3850, 3855, 3860, 3865, 3870, 3875, 3880, 3885, 3890, 3895, 3900, 3905, 3910, 3915, 3920, 3925, 3930, 3935, 3940, 3945, 3950, 3955, 3960, 3965, 3970, 3975, 3980, 3985, 3990, 3995, 4000, 4005, 4010, 4015, 4020, 4025, 4030, 4035, 4040, 4045, 4050, 4055, 4060, 4065, 4070, 4075, 4080, 4085, 4090, 4095, 4100, 4105, 4110, 4115, 4120, 4125, 4130, 4135, 4140, 4145, 4150, 4155, 4160, 4165, 4170, 4175, 4180, 4185, 4190, 4195, 4200, 4205, 4210, 4215, 4220, 4225, 4230, 4235, 4240, 4245, 4250, 4255, 4260, 4265, 4270, 4275, 4280, 4285, 4290, 4295, 4300, 4305, 4310, 4315, 4320, 4325, 4330, 4335, 4340, 4345, 4350, 4355, 4360, 4365, 4370, 4375, 4380, 4385, 4390, 4395, 4400, 4405, 4410, 4415, 4420, 4425, 4430, 4435, 4440, 4445, 4450, 4455, 4460, 4465, 4470, 4475, 4480, 4485, 4490, 4495, 4500, 4505, 4510, 4515, 4520, 4525, 4530, 4535, 4540, 4545, 4550, 4555, 4560, 4565, 4570, 4575, 4580, 4585, 4590, 4595, 4600, 4605, 4610, 4615, 4620, 4625, 4630, 4635, 4640, 4645, 4650, 4655, 4660, 4665, 4670, 4675, 4680, 4685, 4690, 4695, 4700, 4705, 4710, 4715, 4720, 4725, 4730, 4735, 4740, 4745, 4750, 4755, 4760, 4765, 4770, 4775, 4780, 4785, 4790, 4795, 4800, 4805, 4810, 4815, 4820, 4825, 4830, 4835, 4840, 4845, 4850, 4855, 4860, 4865, 4870, 4875, 4880, 4885, 4890, 4895, 4900, 4905, 4910, 4915, 4920, 4925, 4930, 4935, 4940, 4945, 4950, 4955, 4960, 4965, 4970, 4975, 4980, 4985, 4990, 4995, 5000, 5005, 5010, 5015, 5020, 5025, 5030, 5035, 5040, 5045, 5050, 5055, 5060, 5065, 5070, 5075, 5080, 5085, 5090, 5095, 5100, 5105, 5110, 5115, 5120, 5125, 5130, 5135, 5140, 5145, 5150, 5155, 5160, 5165, 5170, 5175, 5180, 5185, 5190, 5195, 5200, 5205, 5210, 5215, 5220, 5225, 5230, 5235, 5240, 5245, 5250, 5255, 5260, 5265, 5270, 5275, 5280, 5285, 5290, 5295, 5300, 5305, 5310, 5315, 5320, 5325, 5330, 5335, 5340, 5345, 5350, 5355, 5360, 5365, 5370, 5375, 5380, 5385, 5390, 5395, 5400, 5405, 5410, 5415, 5420, 5425, 5430, 5435, 5440, 5445, 5450, 5455, 5460, 5465, 5470, 5475, 5480, 5485, 5490, 5495, 5500, 5505, 5510, 5515, 5520, 5525, 5530, 5535, 5540, 5545, 5550, 5555, 5560, 5565, 5570, 5575, 5580, 5585, 5590, 5595, 5600, 5605, 5610, 5615, 5620, 5625, 5630, 5635, 5640, 5645, 5650, 5655, 5660, 5665, 5670, 5675, 5680, 5685, 5690, 5695, 5700, 5705, 5710, 5715, 5720, 5725, 5730, 5735, 5740, 5745, 5750, 5755, 5760, 5765, 5770, 5775, 5780, 5785, 5790, 5795, 5800, 5805, 5810, 5815, 5820, 5825, 5830, 5835, 5840, 5845, 5850, 5855, 5860, 5865, 5870, 5875, 5880, 5885, 5890, 5895, 5900, 5905, 5910, 5915, 5920, 5925, 5930, 5935, 5940, 5945, 5950, 5955, 5960, 5965, 5970, 5975, 5980, 5985, 5990, 5995, 6000, 6005, 6010, 6015, 6020, 6025, 6030, 6035, 6040, 6045, 6050, 6055, 6060, 6065, 6070, 6075, 6080, 6085, 6090, 6095, 6100, 6105, 6110, 6115, 6120, 6125, 6130, 6135, 6140, 6145, 6150, 6155, 6160, 6165, 6170, 6175, 6180, 6185, 6190, 6195, 6200, 6205, 6210, 6215, 6220, 6225, 6230, 6235, 6240, 6245, 6250, 6255, 6260, 6265, 6270, 6275, 6280, 6285, 6290, 6295, 6300, 6305, 6310, 6315, 6320, 6325, 6330, 6335, 6340, 6345, 6350, 6355, 6360, 6365, 6370, 6375, 6380, 6385, 6390, 6395, 6400, 6405, 6410, 6415, 6420, 6425, 6430, 6435, 6440, 6445, 6450, 6455, 6460, 6465, 6470, 6475, 6480, 6485, 6490, 6495, 6500, 6505, 6510, 6515, 6520, 6525, 6530, 6535, 6540, 6545, 6550, 6555, 6560, 6565, 6570, 6575, 6580, 6585, 6590, 6595, 6600, 6605, 6610, 6615, 6620, 6625, 6630, 6635, 6640, 6645, 6650, 6655, 6660, 6665, 6670, 6675, 6680, 6685, 6690, 6695, 6700, 6705, 6710, 6715, 6720, 6725, 6730, 6735, 6740, 6745, 6750, 6755, 6760, 6765, 6770, 6775, 6780, 6785, 6790, 6795, 6800, 6805, 6810, 6815, 6820, 6825, 6830, 6835, 6840, 6845, 6850, 6855, 6860, 6865, 6870, 6875, 6880, 6885, 6890, 6895, 6900, 6905, 6910, 6915, 6920, 6925, 6930, 6935, 6940, 6945, 6950, 6955, 6960, 6965, 6970, 6975, 6980, 6985, 6990, 6995, 7000, 7005, 7010, 7015, 7020, 7025, 7030, 7035, 7040, 7045, 7050, 7055, 7060, 7065, 7070, 7075, 7080, 7085, 7090, 7095, 7100, 7105, 7110, 7115, 7120, 7125, 7130, 7135, 7140, 7145, 7150, 7155, 7160, 7165, 7170, 7175, 7180, 7185, 7190, 7195, 7200, 7205, 7210, 7215, 7220, 7225, 7230, 7235, 7240, 7245, 7250, 7255, 7260, 7265, 7270, 7275, 7280, 7285, 7290, 7295, 7300, 7305, 7310, 7315, 7320, 7325, 7330, 7335, 7340, 7345, 7350, 7355, 7360, 7365, 7370, 7375, 7380, 7385, 7390, 7395, 7400, 7405, 7410, 7415, 7420, 7425, 7430, 7435, 7440, 7445, 7450, 7455, 7460, 7465, 7470, 7475, 7480, 7485, 7490, 7495, 7500, 7505, 7510, 7515, 7520, 7525, 7530, 7535, 7540, 7545, 7550, 7555, 7560, 7565, 7570, 7575, 7580, 7585, 7590, 7595, 7600, 7605, 7610, 7615, 7620, 7625, 7630, 7635, 7640, 7645, 7650, 7655, 7660, 7665, 7670, 7675, 7680, 7685, 7690, 7695, 7700, 7705, 7710, 7715, 7720, 7725, 7730, 7735, 7740, 7745, 7750, 7755, 7760, 7765, 7770, 7775, 7780, 7785, 7790, 7795, 7800, 7805, 7810, 7815, 7820, 7825, 7830, 7835, 7840, 7845, 7850, 7855, 7860, 7865, 7870, 7875, 7880, 7885, 7890, 7895, 7900, 7905, 7910, 7915, 7920, 7925, 7930, 7935, 7940, 7945, 7950, 7955, 7960, 7965, 7970, 7975, 7980, 7985, 7990, 7995, 8000, 8005, 8010, 8015, 8020, 8025, 8030, 8035, 8040, 8045, 8050, 8055, 8060, 8065, 8070, 8075, 8080, 8085, 8090, 8095, 8100, 8105, 8110, 8115, 8120, 8125, 8130, 8135, 8140, 8145, 8150, 8155, 8160, 8165, 8170, 8175, 8180, 8185, 8190, 8195, 8200, 8205, 8210, 8215, 8220, 8225, 8230, 8235, 8240, 8245, 8250, 8255, 8260, 8265, 8270, 8275, 8280, 8285, 8290, 8295, 8300, 8305, 8310, 8315, 8320, 8325, 8330, 8335, 8340, 8345, 8350, 8355, 8360, 8365, 8370, 8375, 8380, 8385, 8390, 8395, 8400, 8405, 8410, 8415, 8420, 8425, 8430, 8435, 8440, 8445, 8450, 8455, 8460, 8465, 8470, 8475, 8480, 8485, 8490, 8495, 8500, 8505, 8510, 8515, 8520, 8525, 8530, 8535, 8540, 8545, 8550, 8555, 8560, 8565, 8570, 8575, 8580, 8585, 8590, 8595, 8600, 8605, 8610, 8615, 8620, 8625, 8630, 8635, 8640, 8645, 8650, 8655, 8660, 8665, 8670, 8675, 8680, 8685, 8690, 8695, 8700, 8705, 8710, 8715, 8720, 8725, 8730, 8735, 8740, 8745, 8750, 8755, 8760, 8765, 8770, 8775, 8780, 8785, 8790, 8795, 8800, 8805, 8810, 8815, 8820, 8825, 8830, 8835, 8840, 8845, 8850, 8855, 8860, 8865, 8870, 8875, 8880, 8885, 8890, 8895, 8900, 8905, 8910, 8915, 8920, 8925, 8930, 8935, 8940, 8945, 8950, 8955, 8960, 8965, 8970, 8975, 8980, 8985, 8990, 8995, 9000, 9005, 9010, 9015, 9020, 9025, 9030, 9035, 9040

PART II PROJECTED CASH FLOW

1. Your Investment	\$ 500,000				
2. Less Start-Up Costs	406,250				
3. Remainder (*)	\$ 93,750				
	1st Month	2nd Month	3rd Month	4th Month	5th Month
4. Beginning Cash	\$ 93,750	12,528	35,608	186,481	218,194
Plus: Cash Sales	153,775	153,775	153,775	153,775	153,775
Collections of A/R's					
Loans and other cash income					
5. Total Available Cash	\$247,225	276,303	339,383	340,256	371,969
Purchase of Inventory	15,115	15,115	15,115	15,115	15,115
Employee Wages-Gross	7,111	7,111	7,111	7,111	7,111
Payroll Taxes, etc.	2,219	2,219	2,219	2,219	2,219
OTHER TAXES Outside Services	715	715	715	715	715
Office Supplies MATERIAL	1,219	1,219	1,219	1,219	1,219
Repairs and Maint.	1,178	1,178	1,178	1,178	1,178
Advertising	1,000	1,000	1,000	1,000	1,000
TRAVEL TRANSPORTATION	1,750	1,750	1,750	1,750	1,750
Acct'g. Legal, Etc.	125	125	125	125	125
RENT	1,000	1,000	1,000	1,000	1,000
Telephone	125	125	125	125	125
Utilities	1,100	1,100	1,100	1,100	1,100
Blue Cross Insurance	1,178	1,178	1,178	1,178	1,178
Real Estate Taxes	659	659	659	659	659
Interest on term loans	1,480	1,480	1,480	1,480	1,480
Employees Union Benefits Other Expenses	700	700	700	700	700
6. Total Expenses	\$ 80,293	80,293	80,293	80,293	80,293
AS less 48	\$ 156,931	156,931	156,931	156,931	156,931
Less Owner's Withdrawals	15,200	15,200	15,200	15,200	15,200
7. Balance	\$ 141,731	126,531	126,531	126,531	126,531
Capitalization EQUITY INVESTMENT LO.	5,000	5,000	5,000	5,000	5,000
PAYMENT BANK SEA	5,505	5,505	5,505	5,505	5,505
INTEREST Owner Withdrawals	20,000	20,000	20,000	20,000	20,000
8. Ending Cash (**)	\$ 111,226	111,226	111,226	111,226	111,226

(*) This figure represents the beginning cash for the first month.

(**) The ending cash for one month is the beginning cash for the next month.

(***) This column must agree with projected income statement.

PROJECTED CASH FLOW (cont.)

6th Month	7th Month	8th Month	9th Month	10th Month	11th Month	12th Month	Total (****) 1st 12 Months
2491 360	280 513	311 690	342 874	374 052	405 230	436 408	
153 776	153 776	153 776	153 776	153 776	153 776	153 776	1845 319
103 114	103 114	103 114	103 114	103 114	103 114	103 114	
35 115	35 115	35 115	35 115	35 115	35 115	35 115	421 391
7 416	7 416	7 416	7 416	7 416	7 416	7 416	68 968
2 219	2 219	2 219	2 219	2 219	2 219	2 219	25 928
715	715	715	715	715	715	715	8 580
1 219	1 219	1 219	1 219	1 219	1 219	1 219	14 968
1 173	1 173	1 173	1 173	1 173	1 173	1 173	14 118
1 000	1 000	1 000	1 000	1 000	1 000	1 000	12 000
17 918	17 918	17 918	17 918	17 918	17 918	17 918	214 918
125	125	125	125	125	125	125	125
1 000	1 000	1 000	1 000	1 000	1 000	1 000	12 000
125	125	125	125	125	125	125	1 325
1 122	1 122	1 122	1 122	1 122	1 122	1 122	10 922
1 173	1 173	1 173	1 173	1 173	1 173	1 173	12 118
659	659	659	659	659	659	659	7 908
4 480	4 480	4 480	4 480	4 480	4 480	4 480	53 760
700	700	700	700	700	700	700	8 400
80 293	80 293	80 293	80 293	80 293	80 293	80 293	963 531
122 823	154 031	185 174	216 357	247 515	278 711	309 891	281 165
10 207	10 207	10 207	10 207	10 207	10 207	10 207	122 400
112 823	144 031	175 174	206 357	237 515	268 711	299 891	259 868
1 500	1 500	1 500	1 500	1 500	1 500	1 500	16 500
5 000	5 000	5 000	5 000	5 000	5 000	5 000	
5 605	5 605	5 605	5 605	5 605	5 605	5 605	127 290
20 000	20 000	20 000	20 000	20 000	20 000	20 000	240 000
201 545	311 690	342 874	374 052	405 230	436 408	467 586	201 135

PART III START-UP COSTS

Whether you are starting a new business, moving to a new location, opening a new branch, or expanding your business, you will have some "start-up" or one-time expenses. In all applications for such purposes, complete the appropriate items below and transfer the total to Part I.

1. Real Estate, Furniture, Fixtures, machinery, equipment:

- a. Purchase Price (if paid in full with cash) \$ _____
- b. Cash Down Payment (if purchased on contract) \$ 100,000
- c. Transportation and Installation Costs \$ _____

2. Starting Inventory

\$ _____

3. Decorating and Remodeling

\$ 800

4. Deposits

- a. Utilities \$ 230
- b. Rents \$ _____
- c. Other (Identify) \$ _____

5. Fees

- a. Legal, Accounting, Other \$ _____
- b. Licenses, Permits, etc. \$ 500
- c. Other (Identify) \$ _____

6. Initial Advertising Costs

\$ 1,000

7. Accounts Receivable (___ days sales)

\$ _____

8. Salaries and owner's draw until store opens for business

\$ 4,000

9. Other

SBA 7(a)(1)(ii) 750

\$ 100,000

TOTAL

\$ 106,550

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Summary of Collateral

OFFERED BY APPLICANT AS SECURITY FOR LOAN AND SBA APPRAISER'S VALUATION REPORT

Name and Address of Applicant (Include Zip Code) 2550 Greenfield St. Memphis, Tennessee 38102

SBA Form 1-1

SBA LOAN NO.

IMPORTANT INSTRUCTIONS FOR PREPARING THE LISTING OF
COLLATERAL OFFERED AS SECURITY FOR LOAN

Part 1. Summary Of Collateral Offered By Applicant As Security For The Loan: This is a summarization of the detailed listing on SBA Form 1, Schedule A. If collateral is to be acquired, with proceeds of loan describe the collateral in detail on an attachment to Schedule A with the notation "To be acquired".

Show exact cost. If assets were acquired from a predecessor company at a price other than cost less depreciation.

The figures to be entered in the net book value column must agree with the figures shown in the balance sheet, on page 2 of the application, except for the assets, if any, not being offered as collateral and non-business assets, if any, which are being offered to secure guarantees.

If a recent appraisal has been made of the collateral offered, it should be submitted with the application.

Any leases on land and buildings must be described, giving date and term of lease, rental, name and address of owner.

Part 2. Real Estate:

Item 1 - Land And Improvements: (a) legal description from deed on the land - location - city where deed is recorded. Book and page numbers of Official Records. Describe the land improvements such as paving, utilities, fence, etc. (b) cost of land when purchased.

Item 2 - Buildings: (a) general description, describe each building or structure on the land. Include size, type of construction, number of stories, date erected, use and condition. (b) amount of taxes and the assessed value from tax bills. (c) total amount of income received by owner from rental of the described property. (d) cost of building when purchased.

INADEQUATE OR POORLY PREPARED LOAN APPLICATION AND LISTING OF COLLATERAL ON PAGE 3 WILL CAUSE DELAY IN THE PROCESSING OF LOAN APPLICATIONS.

Part 3 - It is most IMPORTANT that applicants make an ACTUAL PHYSICAL INVENTORY OF THE EQUIPMENT offered as collateral. DO NOT TAKE FROM BOOK RECORDS. Actually list each in accordance with the classification, e.g.: 1. Machinery and Equipment; 2. Automobile Equipment; 3. Office furniture and equipment; 4. Other - e.g., cars, boats, airplanes, etc.

Part 4 - Is a continuation of Equipment being offered.

Group items in accordance with the above classifications

Show: manufacturer or make, model and serial numbers, size, year, whether purchased new, used, or rebuilt.
BE SURE ITEMS LISTED CAN BE READILY INSPECTED BY SBA APPRAISERS.

SUMMARY			Not to be used by applicant
Item	Cost	Net Book Value	
1. Land and improvements	20,300		
2. Buildings	36,075		
3. Machinery and Equipment	16,337		
4. Automobile Equipment	6,519		
5. Office furniture and equipment	4,750		
6. Other Depreciation	4,306		
7. Total	128,976		
8. First and chattel mortgages (Not to be paid from SBA loan rep.) Attach details	XXXX		
9. Equity	XXXX	81,672	
10. To be acquired (Cost)		XXXX	
11. Total			

THE APPRAISER CERTIFIES that he has personally and thoroughly inspected the collateral as listed on this Report. Furthermore, as of _____ the market value shown in the above Summary is fair and reasonable as of that date. Additional comments are attached to this Report.

SBA Appraiser's Signature

Date of Report

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Real Estate		
OFFERED BY APPLICANT AS SECURITY FOR LOAN AND ISA APPRAISER'S VALUATION REPORT		
Name and Address of Applicant (include Zip Code): <u>William W. Chapman</u>	Parcel number _____	ISA LOAN No. _____
Address of Realty Offered: <u>7545 W. McNichols Rd.</u> <u>Detroit Michigan 48221</u>	Title data: <input type="checkbox"/> Title Insurance <input type="checkbox"/> Abstract <input type="checkbox"/> Other (indicate) _____	
	Realty in name of _____	
	Recorded Book <u>544</u>	Page <u>59</u> County <u>Wayne</u>
<p>1. Land and land improvements (Do not include buildings - see Sec. 2 below)</p> <p>Cost <u>\$125,000.00</u> date acquired <u>25 yrs ago</u></p> <p>Legal description (Attach if too long)*</p> <p>S-W McNichols Rd. 339 thru 337 The Garden Addition No. 2 L14 P59 Plats W.C.N.</p> <p>Custom's Parking Lot 92:01 X105:46</p> <p style="text-align: center; margin-top: 20px;">* If available, attach plot number.</p>		
<p>2. Improvements <u>Building</u> Cost (If separate from land) \$ <u>360718.00</u></p> <p>Building Descriptions: List each building separately with brief description and dimensions.</p> <p>(1) story Brick with 22290 cu. ft.</p> <p>Restaurant fast floor has two levels, there is a upper level which is the penthouse, there is a lower level with a private room for 125 people, there is a basement which house equipment, meat freezers and storage area, and work area.</p>		
<div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div style="width: 60%;"> <p>Insurance if Applicable.</p> <p>Term <u>34</u> Month <input type="checkbox"/> Annually <input type="checkbox"/> Low <input type="checkbox"/> Term.</p> </div> <div style="width: 35%; border: 1px solid black; padding: 5px;"> <p style="text-align: center;">Assessed Value</p> <p>Land _____</p> <p>Improvements _____</p> <p>Taxes _____</p> </div> </div>		

Real Estate

OFFERED BY APPLICANT AS SECURITY FOR LOAN AND SBA APPRAISER'S VALUATION REPORT

Name and Address of Applicant (include Zip Code)	Parcel number	SBA LOAN No.
	Title data: <input type="checkbox"/> Title Insurance <input type="checkbox"/> Abstract	
Address of Realty Offered	<input type="checkbox"/> Other (indicate)	
	Realty in name of	
	Recorded Book	Page County

1. Land and land improvements (Do not include buildings - see Sec. 2 below)

Cost \$ 76,947

date acquired

Legal Description (Attach if too long)*

S-W McMichols Rd. Lots 30 x 100 and 60 x 100, W. 25 ft.

* If available, attach plat curves.

2. Improvements

Cost (if separate from land) \$

Building description: List each building separately with brief description and dimensions.

Frequency of Appraisal:

Rent \$ Month ☐ Annually ☐ Lease ☐ Term.

35

Appraised Value

Land

Improvements

Taxes

Continuation of Personal Property (Chattels)

Description of.

Model	Serial Number	New Unit Rebate	NOT TO BE USED BY APPLICANT	
			Cond.	Market Value
1- Toasting Oven/Toaster				
4- Stainless Steel Sink				
12- Dish Rack- Stainless Steel				
1- Dish Rack				
8'-Thermos Hot Food Disp.				
2- 6' Work Tables				
7- Transmex Cooler				
1- Main Drain				
1- 8' Sta-Kold Reach in Refrigerator				
1- Various Appliances - 2 Stoves				
Steel Dish Racks and Waste Sink				
Disposal				
1- Reach in Refrigerator Counter with				
Insure and Stainless Steel Shell				
20- Beer Vending				
25- Glass Racks				
10- Silver Racks				
6- Champagne Stands				
1- Robert Potomac Peeler				
1- Can Crusher				
9- Junior Chairs				
10- Chairs				
1- Mueller Corner Piano				
25- Buffet Tables				
1- Bar				
1- Bar Main Mixer (10-25-101)				
1- Water Cooler and Sink				
2- Barrels Stands				
1- Various Appliances, Bar and Back				
5- Stoves				
1- Stainless Steel Sink				
5- Polishing Tray Stands				
1- Various Appliances				
1- Water Sewer Mixer				
2- Refrigerator Ice Machines				
1- Waste Sink Disposal and Sink				
1- Tissue Paper Disp. w/ 100 Rolls				
1- Tissue Paper w/ 500				
1- Paper Slices				
1- Bandaged Cheese Grinder				
2- 10' Work Tables				
1- 1' Work Black				
1- 17'x12' Walk in Box				
1- Various Saw				
1- Bus Motor TV Set				
1- 10'x12' Walk in Cooler Beer Cooler				
1- Meat Slicer				
1- 17'x12' Walk in Cooler				
24- Ladders				
Shoppers				
Canner				
Stainless Steel				
Chairs				
Glass Ware				
Washing, Pot. Pans				
Various, Plastic, etc.				
Coffee and Confectionery				
Food				
Liquors, Wine, Beer				
Smoking Machine				
Plastic, Paper, etc.				
Coffee Pot				
Garbage				
Waxed Lin. Linoleum				
Store Sound Bottle				
Various Components, etc.				

37

Total

Coffee Trade of North Transportation to Page 1

Commercial Items 1 & 2 and 4

PERSONAL FINANCIAL STATEMENT

As of June 30, 1978 19 78

Return to:
S-1 Business Administration

For SBA Use Only

SBA Loan No. _____

Name and Address (including ZIP Code) (if person and spouse submitting Statement):

Willis W. Chapman
8550 Greenfield Rd.
Detroit, Michigan 48214
 SOCIAL SECURITY NO 371-42-4105

Business (if person submitting Statement): _____

This statement is submitted in connection with SBA loan requested or granted to the individual or firm, whose name appears below:

Name and Address of Applicant or Borrower, including ZIP Code _____

ASSETS		LIABILITIES	
Cash on Hand & in Banks	25	Accounts Payable	0
Service Accounts in Banks	0	Notes Payable to Banks	0
U. S. Government Bonds	0	(Describe below - Section 2)	
Accounts & Notes Receivable	0	Notes Payable to Others	0
Life Insurance-Cash Surrender Value Only	0	(Describe below - Section 2)	
Other Stocks and Bonds	0	Installment Accounts (Auto)	0
(Describe - reverse side - Section 3)		Monthly Payments \$ _____	
Real Estate	54,400.00	Installment Accounts (Other)	
(Describe - reverse side - Section 3)		Monthly Payments \$ <u>219.00</u>	
Automobile - Present Value		Loans on Life Insurance	
Other Personal Property		Mortgages on Real Estate	19,234.00
(Describe - reverse side - Section 3)		(Describe - reverse side - Section 4)	
Other Assets	19,200.00	Unpaid Taxes	
(Describe - reverse side - Section 3)		(Describe - reverse side - Section 7)	
		Other Liabilities	
		(Describe - reverse side - Section 8)	
		Total Liabilities	19,234.00
		Net Worth	55,966.00
Total	\$ 75,925.00	Total	\$ 75,925.00

Section 1. Source of Income

Describe below all items listed in this Section:

Salary _____ \$ _____

Real Investment Income _____ \$ _____

Real Estate Income _____ \$ _____

Other Income (Describe) _____

Describe below all items listed in Section 1: _____

CONTINGENT LIABILITIES

As Endorser or Co-Maker _____ \$ _____

Legal Claims and Judgments _____

Provision for Federal Income Tax _____

Other Special Debt _____

Life Insurance held (Give face amount of policies - name of company and beneficiary):

WORTHEN LIFE AND ACCIDENT INS.

SUPPLEMENTARY SCHEDULES					
Section 2. Notes Payable to Banks and Others					
Name and Address of Holder of Note	Amount of Loan	Original Bal.	Present Bal.	Terms of Repayments	Majority of Loan Repaid or Secured

Section 1 Other Stocks and Bonds (List each and indicate its value under item 10 or 11, as appropriate)			
No. of Shares	Name of Security	Cost	Market Value Statement Date
			Quantity Amount

Section 4 Real Estate Owned (List each parcel separately, with subdivisions, maps, if necessary. Each tract must be identified as to subdivision in this statement and signed. Also advise whether property is covered by title insurance abstract of title or both.)

Title is in name of Willis W. Chapman Address of property (City and State): 8375 Asper Blvd. Detroit Michigan 48204	Type of Property Original Cost to (me) (us) \$ 51,500 Date Purchased 12-27-65 Present Market Value \$ 59,400.00 Tax Assessment Value \$
Name and address of holder of mortgage (City and State): Continental Acceptance Corp. 22411 W. Warren Ave. Dearborn, Heights Michigan 48127	Date of Mortgage 6-4-67 Original Amount \$ 51,500.00 Balance \$ 39,234.00 Maturity 10 yrs. Terms of Payment 2-1.00

Status of Mortgage, i.e., current or delinquent, if delinquent describe delinquency:

Pending before United State Supreme Court

Section 5 Other Personal Property. Describe and if any is mortgaged, state name and address of mortgage holder and amount of mortgage (terms of payment and if delinquent, describe delinquency):

None

Section 6 Other Assets. Describe:

furniture	4,000.00
Shay Lake Lot	12000.00
	16,000.00

Section 7 Unpaid Taxes. Describe in detail all taxes, to whom payable, when due, amount, and what, if any, property is tax lien, if any, attached:

Section 8 Other Liabilities. Describe in detail:

11. If you certify the above and the statements contained in the schedules herein is true and accurate (statement of only or substantial completion as of the date stated herein. This statement is given for the purpose of: Check one of the following):

☐ including S.B.A. to grant a loan as requested in application, of the individual or firm whose name appears herein, in connection with which this statement is submitted.

☐ furnishing a statement of (me) or (our) financial condition, pursuant to the terms of the guaranty executed by (me) or (us) at the time S.B.A. granted a loan to the individual or firm whose name appears herein.

OK 11/21/68

Signature

39

Signature

11-2-75

Date

1175 LEBER BLVD.
DETROIT, MICHIGAN 4820

PERSONAL DATA

Birthdate	October 2, 1921
Height	5' 8"
Weight	165 lbs.
Health	Excellent
Marital Status	Married
Dependents	1
Military Status	Veteran
	January 4, 1943 - January 3, 1946
	Honorable Discharge - Rank T/5

PROFESSIONAL OBJECTIVE

To own, operate and successfully manage a domestic new car dealership and to provide training with eventual employment for young men in the fields of auto selling, service and mechanics.

EDUCATION

Case Tech High	Received Diploma
Commerce High	Business Course
Wayne State University	Liberal Arts (2 Yrs.)
Dealers' School Training School	Received Certificate of
	Satisfactory Completion in the
	following areas:
	Dealership Management
	Office Management and
	Accounting
	Automotive Accounting
	Retail Management
	Sales Training
	Service Training

PROFESSIONAL AFFILIATION

NAMD (National Association of Market Developers)

MAJOR EXPENSES

BUDGET

NON-CONTROLABLE OVERHEAD COSTS

Insurance -f
Independance Agencies Inc.
Policy # BP3060690
Pat Roche 352-6900
Expires May 1979

COVERAGES	AMOUNTS	CO.INS. _____
Building	\$580000	
Machinery and Equipment	150000	
Inventories or Stock of Goods	150000	
Automobiles		
Personal Property		80 %
Business Interruption	200000	50 % of Gross
Workman's Compensation		
Burglary and Theft	150000	
Fidelity Bonds		
Body	300000	-1000 Med. 1000000 Beth
Property	100000	
Gar.-Keeper Customer's Car	22500	
Liquor Liability		
Umbrella Liability	1000000	
TOTAL COST		\$32512
Interest	1st. year for 3 Loans	85260
Taxes General	real estate, Equipment.	15900
Loan Payment	1st. year	143260
M.C.		8642
Class -C-		16871
Bonds -2-		58

2-2-39

PERSONAL INTERESTS AND HO.

Psychology, golf and music

Jan 74 to June 75 Chappys Service Sales Inc

EMPLOYMENT HISTORY *Sept 75 to Jan 1974 Transbank & Son Co. 11/20 to*

April, 1971 to Present Sept. 1972	Mathews Cadillac Dearborn, Michigan - Salesman -
January, 1968 to January, 1971	Ed Davis, Inc. Detroit, Michigan - Salesman -
July, 1967 to January, 1968	McDonald Ford Detroit, Michigan - Salesman -
May, 1967 to July, 1967	Bart Lincoln-Mercury Detroit, Michigan - Salesman -
December, 1966 to May, 1967	Johnny Motor Sales Detroit, Michigan - Salesman -
May, 1967 to December, 1966	Challente Dodge Detroit, Michigan - Salesman -
January, 1964 to May, 1966	Ed Davis, Inc. Detroit, Michigan - Salesman -

EMPLOYMENT HISTORY - CONT'D

June, 1963
to
December, 1963

Jim Borts
Detroit, Michigan
- Salesman -

March, 1961
to
May, 1963

DuPont Realty
Detroit, Michigan
- Salesman -

March, 1960
to
February, 1961

Benjamin Rich Realty
Detroit, Michigan
- Salesman -

July, 1958
to
March, 1960

H. M. Seldon Company
Detroit, Michigan
- Salesman -

March, 1956
to
June, 1958

Leo Adler - DeSoto
Detroit, Michigan
- Salesman -

September, 1955
to
March, 1956

Louis Rose - DeSoto
Detroit, Michigan
- Salesman -

January, 1946
to
August, 1953

Kaiser-Fraser
Detroit, Michigan
- Salesman -

PERSONAL REFERENCES

Supplied upon request.



UNITED STATES OF AMERICA

SMALL BUSINESS ADMINISTRATION

STATEMENT OF PERSONAL HISTORY

Name and Address of Applicant (Print Name) (Street, City, State and ZIP Code)

JILLIS W. CHAFFIN
7525 W. McNichols Rd.

Detroit, Michigan 48221

SBA District Office and City

Amount Applied for

\$500,000

1. Personal Statement of SBA name in last five years name

State, month, or 1 more only, include date of birth

2. List of other names used and dates each

Name has used Use separate sheet if necessary

First

Middle

Last

3. Date of Service (Month, Day, Year)

Date of birth (Month, Day, Year)

October 6, 1922

4. Place of birth (City & State or Foreign Country)

Macon, Georgia

US Citizen? ☒ Yes ☐ No

If no, give alien registration number

Social Security No

374-12-1405

5. Present residence address

From

To

Address

City

State

June 29, 1978 Present 8550 Greenfield Detroit

Michigan

Immediate past residence address

From

To

Address

Dec. 5, 1976 June 29, 1978 8375asper Blvd. Detroit, Michigan

BE SURE TO ANSWER THE NEXT 3 QUESTIONS CORRECTLY BECAUSE THEY ARE IMPORTANT.

THE FACT THAT YOU HAVE AN ARREST OR CONVICTION RECORD WILL NOT NECESSARILY DISQUALIFY YOU.
BUT AN INCORRECT ANSWER WILL PROBABLY CAUSE YOUR APPLICATION TO BE TURNED DOWN.

6. Are you presently under indictment, on parole, or probation?

☐ Yes ☒ No

If yes, furnish details in a separate exhibit. List names under which held, if applicable.

7. Have you ever been charged with or arrested for any criminal offense other than a minor motor vehicle violation?

☒ Yes ☐ No

If yes, furnish details in a separate exhibit. List names under which charged, if applicable.

8. Have you ever been convicted of any criminal offense other than a minor motor vehicle violation?

☒ Yes ☐ No

If yes, furnish details in a separate exhibit. List names under which convicted, if applicable.

9. Name and address of participating date

The information on this form will be used in connection with an investigation of your character. Any information you wish to furnish that you feel will expedite this investigation should be set forth.

See Copy of character letters.

Whoever makes any statement knowing it to be false for the purpose of obtaining or for any assistance, may not be eligible for renewal, extension or purchase of the business or for the purpose of obtaining or renewing SBA loans, including or under the Small Business Act as amended, shall be punished under Section 1001 of that Act by a fine of not more than \$5000, or by imprisonment for not more than 2 years, or both.

Title

President

Date

10-2-78

I, the undersigned, certify that the information furnished on this form is true and correct. I understand that anyone who furnishes false or misleading information on this form or who omits material or information requested on the form may be subject to criminal sanctions (including fines and imprisonment) and/or civil sanctions (including civil penalties).

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SBA Form 100-1

...agent, representative or other representative...
 ...in the event a loan is approved...
 ...SBA will allow the person...
 ..."qualified representative" of SBA, other than our regular salaried employees...
 ...Regulations (Part 102, Sec. 102.12) prohibit representatives from charging or promising to charge any contingent fee for any services performed...
 ...in connection with an SBA loan...
 ...SBA will not approve placement of lender's fees for the use of an accepted underwriter...
 ...which will be approved will be limited to reasonable sums for services actually rendered...
 ...the time and effort required, the qualifications of the representative and the nature and extent of the services rendered...
 ...to the responsibility of the applicant to set forth in the appropriate section of the application the names of all persons or firms engaged by or on behalf...
 ...the applicant, applicants are required to advise the SBA Field Office in writing of the names and fees of any representatives engaged by the applicant...
 ...no loan applicant having any question concerning the payment of fees, or the reasonableness of fees, should communicate with the Field Office where...
 ...in application is filed.

NAMES OF ATTORNEYS, ACCOUNTANTS, AND OTHER PARTIES. The names of all attorneys, accountants, appraisers, agents, and all other parties...
 ...whether individuals, partnerships, associations, or corporations engaged by or on behalf of the applicant...
 ...for the purpose of rendering professional or other services of any nature whatsoever to applicants, in connection...
 ...with the preparation or presentation of this application...
 ...fees or other charges or compensation paid or to be paid therefor or for any services in connection with this application or disbursement of the loan...
 ...either in money or other property of any kind whatever, by or for the account of the applicant, together with a description of such services rendered or...
 ...to be rendered, are as follows:

Name and Address (include ZIP Code)	Description of Services Rendered and to be Rendered	Total Compensation Agreed to be Paid*	Compensation Already Paid*
None			

*Enter specific dollar amounts. "Unstated," "Undetermined," "reasonableness" terms are not sufficient.

AGREEMENT OF NONEMPLOYMENT OF SBA PERSONNEL. In consideration of the making by SBA to applicant of all or any part of the loan applied...
 ...in this application, applicant hereby agrees with SBA that applicant will not, for a period of two years after disbursement by SBA to applicant of said...
 ...or any part thereof, employ or render any office or employment to, or retain for professional services, any person who, on the date of such disbursement...
 ...or within one year prior to said date, he shall have served as an officer, attorney, agent, or employee of SBA and (b) in such, shall have performed...
 ...position or engaged in activities which SBA shall have determined, or may determine, involve disbursement with respect to the granting of assistance under...
 ...the Small Business Act, or Economic Opportunity Act or said laws as they may be amended from time to time.

CERTIFICATION. I, hereby certify that:

- The Applicant has read SBA Policy and Regulations concerning representatives and their fees (if observed and has not paid or incurred any obligation to pay, directly or indirectly, any fee or other compensation for obtaining the loan hereby applied for.
- The applicant has not paid or incurred any obligation to pay to any Government employee or former Government employee any fee, gratuity or anything of value for obtaining the assistance hereby applied for. If such fee, gratuity, etc. has been received by any such employee, the applicant agrees to repay such information to the Office of Secretary and Investigations, SBA, 1441 L Street, N. W., Washington, D. C. 20004.
- All information contained above and in exhibits attached hereto are true and complete to the best knowledge and belief of the applicant and are submitted for the purpose of inducing SBA to grant a loan or to participate in a loan by a bank or other lending institution in applicant. Whether or not the loan hereby applied for is approved, applicant agrees to pay or reimburse SBA for the cost of any surveys, title or mortgage examinations, appraisals, etc., performed by non-SBA personnel with consent of applicant.
- The applicant hereby covenants, promises, agrees and gives herein the assurances as required by 13 CFR 112.8 and CFR 112.4 that in connection with any loan to applicant which SBA may make, or in which SBA may participate or guarantee as a result of this application, it will comply with the requirements of Parts 112 and 113 of SBA Regulations and Title VI of Civil Rights Act of 1964 to the extent that said Parts 112 and 113 are applicable to such financial assistance, and further agrees that in the event it fails to comply with said applicable Parts 112 and 113, SBA may call, demand, commence, accelerate repayment or suspend in whole or in part the financial assistance provided or to be provided by SBA, and that SBA, or the United States Government may take any other action that may be deemed necessary or appropriate to enforce the non-discrimination requirements in said Parts 112 and 113, including the right to seek judicial enforcement of the terms of this ASSURANCE OF COMPLIANCE. These requirements prohibit discrimination on the grounds of race, color or national origin by recipients of federal financial assistance, including but not limited to employment practices, and require the submission of appropriate reports and records in books and records. These requirements are applicable to all loans, leases and sureties in interest.

by Seal _____
 (Title) _____
 Title _____
 Date Signed _____

...no makes any statement knowing it to be false, or otherwise willfully obstructs any process, for the purpose of obtaining for himself or for any representative...
 ...or otherwise intended by removal, destruction of action, or otherwise, or the retention, release, or non-retention of records therefor, or for the purpose...
 ...in any way the terms of the SBA, or for the purpose of obtaining money, property, or anything of value, under the Small Business Act, as amended...
 ...all be punished under Section 1001 of the Small Business Act, as amended, by fine of not more than \$2,000 or by imprisonment for not more than one...
 ...or both.

APPLICATION FORM

FOUR COAST

Applicant Information About You

Name: WILLIS W. CHAPMAN
 Address: 551 Green Field Ave. Apt. 14
Detroit Michigan 48221
 Phone: 554-7650

Information About Your Business

Name: HAPPY'S ATHLETIC CLUB INC.
 Address: 125 W. WENICHEL'S RD.
Detroit Michigan 48221

Business Description: YOGA
 Date Established: 4/1
 Number of Employees: 41
 Is your business a sole proprietorship? Yes

Information About Management: List the name of all persons (having 20% or greater interest), officers, directors, and/or partners. Provide the percent of ownership and the annual compensation.

Name	% of Ownership	Annual Compensation
<u>Willis W. Chapman Pres.</u>	<u>65</u>	
<u>551 Green Field</u>	<u>35</u>	

How You Plan to Use the Loan Money

For working capital: NO
 For expansion: NO
 For other: 300,000 Bldg. / Land

Total Loan Requested: \$ 400,000

Term of Loan: Years: 5 Months: 0

Summary of Collateral

	Present Market Value	Present Mortgage Balance	Cost Less Outstanding
Land and Building	<u>523,659</u>		
Inventory			
Accounts Receivable			
Machinery and Equipment	<u>20,553</u>		
Furniture and Fixtures	<u>97,538</u>		
Other	<u>470,479</u>		
Total	<u>1,242,230</u>		

List the names of attorneys, accountants, appraisers, agents, or other persons rendering assistance in preparation of this form.

Name and Organization	Total Fees Paid
Name and Organization	Total Fees Paid

INSTRUCTIONS FOR APPLICATION FORM

Sections I, II, III. Please provide the information requested. "You" refers to the proprietor, general partner or corporate officer signing this form.

Section IV. Use of the loan money: If your use of the loan fits one of the categories listed on the application form, please fill out this section. If you use "other," submit a list on a separate sheet of paper and label the list Exhibit A.

Section V. Summary of collateral: If your collateral consists of (A) Land and Building, (B) Inventory, and/or (C) Accounts Receivable, fill in the appropriate blanks. If you are using (D) Machinery and Equipment, (E) Furniture and Fixtures, and/or (F) Other, please provide an itemized list (labeled Exhibit B) that contains serial and identification numbers for all articles that had an original value greater than \$500.

Section VI. Provide the information requested for all professional services used while preparing the application. You will be asked to complete another form after loan closing that will itemize compensation actually paid for services rendered in connection with this application.

CHECKLIST FOR APPLICATION PACKAGE

- All exhibits must be signed and dated by person signing this form.
- ☒ 1. Have you submitted SBA Form 312, Personal History Statement for each person a.o. owners, partners, major stockholders, etc., the instructions are on SBA Form 312?
 - ☒ 2. Have you filled out a personal balance sheet (SBA Form 413 may be used for this purpose) for each stockholder (with 20% or greater ownership), partner, officer, and owner. Label this Exhibit C.
 - ☒ 3. Have you included the statements listed below: 1, 2, 3 for the last three years; 1, 2, 3, 4 dated within 90 days of filing the application; and statement 5? This is Exhibit D. Management Assistance has Aides that help in the preparation of financial statements.)
 - 1. Balance Sheet
 - 2. Profit and Loss Statement
 - 3. Reconciliation of Net Worth
 - 4. Aging of Accounts Receivable and Payable
 - 5. Earnings projections for at least one year (If Profit and Loss Statement is not available, explain why and substitute Federal Income Tax Forms.)
 - ☒ 4. Have you completed a list which contains the original date and amount, present balance owed, interest rate, maturity payment, maturity and security for each loan or debt that your business currently has? Please indicate whether the loan is current or delinquent. An asterisk (*) should be placed by any of these items that will be paid off with the SBA loan. This should be labeled Exhibit E.

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expected benefits it will receive from the loan? If not, you must do so. See Exhibit B.

☐ 6. Have you provided a brief description of the educational, technical and business background for all the people listed in Section III under management? If not, you must do so. Please mark it Exhibit C.

☒ 7. Do you have any co-signers and/or guarantors for this loan? If so, please submit their names, addresses and personal balance sheets as Exhibit D.

☐ 8. Are you buying machinery or equipment with your loan money? If so, you must include a list of the equipment and the cost. This is Exhibit J.

☐ 9. Have you or any officers of your company ever been involved in bankruptcy or insolvency proceedings? If so, please provide the details as Exhibit K.

☐ 10. Are you or your business involved in any pending lawsuits? If yes, provide the details as Exhibit L.

☒ 11. Do you or your spouse or any member of your household, or anyone who owns, manages, or directs your business or their spouses or members of their households work for the Small Business Administration, Small Business Advisory Council, SCORE or ACE? If so, please provide the name and address of the person and the office where employed. Label this Exhibit M.

☒ 12. Does your business have any subsidiaries or affiliates? If yes, please provide their names and the relationship with your company along with a current balance sheet and operating statement for each. This should be Exhibit N.

☐ 13. Do you buy from, sell to, or use the services of any concern in which someone in your company has a significant financial interest? If yes, provide details on a separate sheet of paper labeled Exhibit P.

☐ 14. If your business is a franchise, have you included a copy of the franchise agreement? Please include it as Exhibit R.

☐ 15. If you or any principals or affiliates have ever requested government financing, list the name of the agency (including SBA), the amount requested or approved, date of request or approval, present balance, and status (i.e., current, delinquent). This should be Exhibit S.

CONSTRUCTION LOANS ONLY

☐ 16. Have you included in a separate exhibit (Exhibit T) the estimated cost of the project and a statement of the source of any additional funds? If not, please do so.

☐ 17. Have you filed all the necessary compliance documents (SBA Form Series 501)? If not, loan officer will advise which forms are necessary.

☐ 18. Have you provided copies of preliminary construction plans and specifications? If not, include them as Exhibit U. Final plans will be required prior to disbursement.

DIRECT LOANS ONLY

☐ 19. Have you included two bank recommendation letters with your application? These letters should include the name and telephone number of the persons contacted at the banks, the dates and terms of the loan, the reason for decline and whether or not the bank will participate with SBA. In letters with two (2) references to bank, one letter will be sufficient.

If SBA approves this loan application, I/We will not, for at least two years, act as an employee or consultant at the that was employed by the SBA during the one year period prior to the commencement of the loan.

Certification: I/We certify: (a) I/We have not paid anyone connected with the Federal Government for help in getting this loan. I/We also agree to report to the SBA Office of Security and Investigations, 1411 L Street N.W., Washington, D.C., 20415 any Federal Government employee who offers, in return for any type of compensation, to help get this loan approved.

(b) All information in this application and the Exhibits is true and complete to the best of my/our knowledge and is submitted to SBA or SBA can disclose another to grant a loan or part thereof with a lending institution in a loan to me/us. I/We agree to pay for or reimburse SBA for the cost of any surveys, title or mortgage examinations, appraisals, etc., performed by non-SBA personnel provided I/We have given my/our consent.

(c) I/We give the assurance that we will comply with sections 112 and 113 of volume 13 of the Code of Federal Regulations. These Code sections prohibit discrimination on the grounds of race, color, sex, religion, marital status, handicap, age, or national origin by recipients of Federal financial assistance and require appropriate records and access to books and records. These requirements are applicable to anyone who buys or takes control of the business. I/We realize that if I/We do not comply with these non-discrimination requirements SBA can, call, terminate, or accelerate repayment of my/our loan.

Authority to Collect Personal Information: This information is provided pursuant to Public Law 92-579 (Privacy Act of 1974). Effects of Nondisclosure: Omission of an item means your application might not receive full consideration.

I/We authorize disclosure of all information submitted in connection with this application to the financial institution agreeing to participate in the loan.

As consideration for any Management and Technical Assistance that may be provided, I/We waive all claims against SBA and its consultants.

I/We understand that I/We need not have anybody to deal with SBA. I/We have read and understand Pam 394 which explains SBA policy on representatives and their fees.

For Guaranty Loans please provide an original and one copy (Photocopy is Acceptable) of the Application Form, and all Exhibits to the participating lender. For Direct Loans submit one original copy of application and Exhibits to SBA.

It is against SBA regulations to charge the applicant a percentage of the loan proceeds as a fee for preparing this application. If you make a statement that you know to be false or if you overvalue a security in order to help obtain a loan under the provisions of the Small Business Act you can be fined up to \$5,000 or be put in jail for up to two years, or both.

Signature of Preparer if Other Than Applicant

Print or Type Name of Preparer

Address of Signature

If Applicant you (proprietor or general partner), signature.

S/ _____ Date _____

If Applicant is a corporation, sign below

Corporate Seal _____ Date _____

By Charles J. [Signature]
Signature of President

Attested by _____
Signature of Corporate Secretary

47

FINANCING PROPOSAL
FOR
CHAPPY'S ATHLETIC CLUB INC.
To be submitted to
INDEPENDENCE CAPITAL FORMATION INC.
and
THE SMALL BUSINESS ADMINISTRATION
and
BANKS

WILLIS W. CHAPMAN
8550 Greenfield Rd. Apt. 24
Detroit Michigan 48228
584-7659

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SPECIAL EVENTS

	Mon	Tues	Weds	Thur
Breakfast---	5 am			
Show-----	7 am to 9 am			
Dancing-----	24 hours			
Lunch-----	11 am			
Show-----	12 Noon to 1:30 pm			
Dinner-----	5 pm to 3 am			
Show-----	6:30 pm to 7:30 pm			
Dinner-----	until 3 am			
Show-----	12:30 am to 1:30 am			
Dancing-----	24 hours			
A show every 5 hours				
A show 4 times a day				
Band				
Dancers				
Singers				
Comedians				
Instrumentalist				
Class "C" License with Take-				

BUILDING'S LOWER LEVEL FUNCT

Chappy's	Meetings	Bing
Automobile	Banquet	1:00
School	Weddings	to
=		
Meetings	Private	6:0
Banquets	Parties	pm
weddings		Se
Private		C
Parties		
Mon	Tues	W

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PERSONNEL STAFF

Staff			
1- Exc. Chef			\$ 18,000
2- Chef- Scc			\$ 15,873 ea.
6- Cook's Helpers	(\$31,746.)		\$ 4,500 ea.
3- Officers- Pres., Gen. Mgr., Ass. Gen. Mgr., Facilities Mgr.	(\$27,000.)		\$ 30,600 ea.
2- Pantry girl	(\$3.00 per hour)	(\$ 9,000.)	\$ 4,500 ea.
2- Dishwashers	(\$3.00 per hour)	(\$ 9,000.)	\$ 4,500 ea.
4- Busboy	(\$3.00 per hour)	(\$18,000.)	\$ 4,500 ea.
1- Officer, Cashier, Bookkeeper, Office Mgr.			\$ 30,600
2- Waiters (captain)	(\$3.00 per hour)	(\$ 9,000.)	\$ 4,500 ea.
3- Food checker	(\$2.00 per hour)	(\$ 8,000.)	\$ 4,000 ea.
1- Bar Manager	(\$250. per week)	(working)	\$ 12,000
2- Bar-tenders	(\$225. per week)	(\$21,600.)	\$ 10,800 ea.
2- Waiters	(\$2.00 per hour)	(\$ 9,216.)	\$ 4,608 ea.
10- Waitress	(\$2.00 per hour)	(\$46,080.)	\$ 4,608 ea.
1- Maintenance			\$ 12,000
1- Maintenance Repairman-Equipment			\$ 14,000
2- Hat and Coat checkers, Sales person	(Leases)		
2- Security Personnel	(\$250. per week)	(\$24,000)	\$ 12,000 ea.
2- Ass. Manager (Bingo)	(\$100. per week)	(\$ 9,600)	\$ 4,800 ea.
2- Hostess	(\$150. per week)	(\$14,400)	\$ 7,200 ea.
2- Maitre d'	(\$250. per week)	(\$24,000)	\$ 12,000 ea.
Total salaries projections		(\$439,042)	

Employee benefits is established by the union contract and management. The experienced and professional personnel of managers and service staff and kitchen staff has been in existence for the past 25 yrs. Because of the existing union, a wage and benefit package has attracted professional in the past, and this will continue under the management of Chappy's Athletic Club, Inc.

Sources

1. Mortgage Loan	TCF or Bank 15 yrs. \$400,000.7103/4% pymt.\$5605.
2. Term loan	SBA 10 yrs. \$110,239.9 8 1/4% pymt.\$1375.
3. Term Loan	Landcontract 5 yrs. \$200,000.2 9% pymt.\$5000.

Applications

1. Purchase of Building-Land-Equipment-Contents	\$300,000.Cash
2. Working Capital	\$100,000.Cash

Total Loan	\$400,000.
------------	------------

TO BE SECURED BY ASSETS OF THE BUSINESS

AND

SEA GUARANTEE 90%

MARKET ANALYSIS
OF
CHAPPY'S ATHLETIC CLUB INC.
MARKET PLACE

METHODOLOGY- SURVEY

Analyzing my market by separating black which represent 80% or approximately 100000. people, which is my market, 26,000. white home owners, 3,000. whites at U.D. COLLEGE, and 1,000 who work in the area. Detroit Chamber of Commerce, and U.S. Census 1970- source of data.

Materials gathered let me know that my business location is good and in a above average income area, also lets me know that the building and equipment is a very good investment.

DEMOGRAPHICS

Spring, Summer, Fall, Winter.

Houses, Davison Ave. business area, Fenkell St. business area, Puritan St. business area, McNichol Rd. West business area, 7 mile Rd. business area, 8 mile Rd. business area, Woodward Ave. business area, Livernois business area, Meyers Rd. business area, Schaefer Rd. business area, Greenfield Rd. business area. This geographical survey which is not the total market place, represent an effective buying income.

Chappy's can be reached by bus, car, taxi, expressways, walk.

POPULATION CHARACTERISTICS-(Metro figures)

12 to 17 year olds future market is not included

Survey- 1970 census- 2.5% uncensused, not included, also cities such as INKSTER, RIVER ROUGE, WARREN, DEWAY, HANTRAMUCK, HIGHLAND PARK, not included. Population growth plus Tourism and Conventions.

Houses-\$17,000 and up to 390,000. there are more black home-owners in the city of Detroit, than any city in the nation.

Religion all sects, there is over 5000 churches in the city of Detroit.

Macomb county	390,185	\$17,500 to \$45,500
Oakland county	469,850	\$17,500 to \$45,500
Wayne county	2850,000	\$15,500 up
Detroit	1450,000	\$12,000 up

1-5-6

53

Market Analyss (con .ued)

BUSINESS-COMMERCE-ECONOMICS-INDUSTRI

Construction Co.	12
Automobile Manuf.	57
Other Manuf.	16
Wholesale and Retail	58
Finance, Insurance and Real Estate	20
Business and Prof. Service	149
Effective disposable income approx.	9%

U.S. Census source of data.

COMPETITION

There is little or no competition in the immediate area not with-in 10 miles radius. Telegraph Rd. west, 10 mile Rd. north, Woodward Ave. east, downtown Detroit south, there is no bar, no restaurant, that offer the amount of parking or the functional facilities or luxurious interior that Chappy's Athletic Club Inc. offer to the community. Competition has always been here and will always be here, its health for business, creation of new ideas creat an advantage over competitors

PROMOTIONAL STRATEGY FOR MARKET PENETRATION

Mailing to over 300 previous customers who purchased automobiles from me. Advertising in the Michigan Chronicle, Detroit News, Free Press, Legal News, Detroit Monitor, Tri- County news papers, Radio stations, T.V.. Press releases will be assured announcing the grand opening with seachlights and pass- outs. Larco's Inn has been in business for 25 yrs. The announcement of new ownership and new benefits for the market place, Breakfast, Lunch, Dinner, with entertainment, valet parking offers security for cars and the well being to the customers, Banquet, and meeting room facilities, also Dancing, and Take-out service.

A BRIEF REVIEW OF THE INDUSTRY

Restaurants and dining rooms, along list of many kinds of varieties of restaurants in Detroit, formal dining rooms, lunch rooms, cafetrias, automats, coffe shop, night clubs, barrooms, cocktail lounges, chop suey restaurants, hotel dining rooms, weather any one of these organizations is part of a hotel or is independently operated, its form of operation and organization is basically the same, there are two distanct departments in both large and small restaurants food preparations and food service, and this has been sence the inkeeper days. 2-3-7-

Market Analyss (cont' wi)

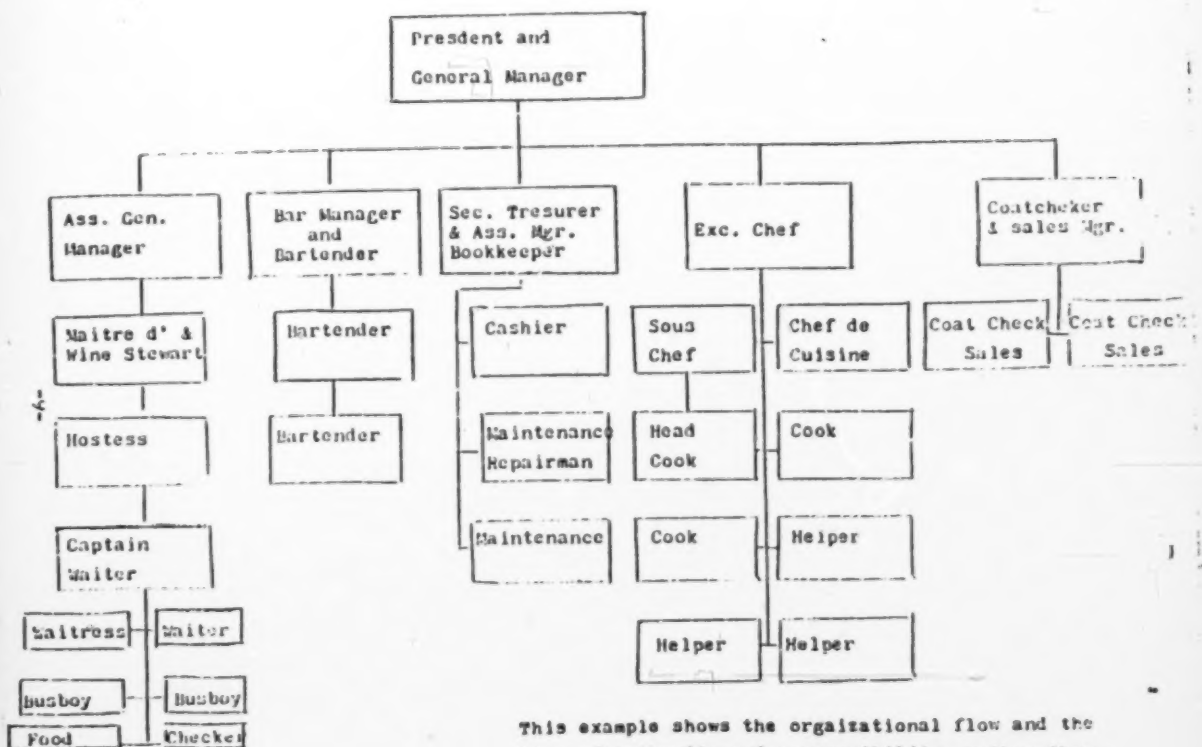
MARKET POTENTIAL OF INTENDED CHANGE IN THE NATURE OF THE BUSINESS

CHAPPY'S ATHLETIC CLUB INC. with its creative ideas will create an advantage over competitors, the full usage of the facilities and time, is a profit advantage, banquets, meeting room, entertainment of all kinds, including churchs, sunday entertainment, young people entertainment, formal dinners, dancing, open 24 hours the only restaurant in Detroit that has entertainment for breakfast a complet show at 7:00 am, bingo for senior citizens also a senior citizen show, young people shows which is the future market, and future entertainers, also children's shows from 5 to 12 yrs. old and 13 to 17 yrs. old. It has been said that there are 4 months which are below average months, the 2nd and 3rd week in January, the 4th week there is increase, february and march are good months, april is a low month. I was told it is because of federal taxes are due, this must be true in the white market, because restaurant owners have centered their business around big business and executives, middle class whites, and because of discrimination black people didn't go to white people super clubs, because they didn't feel wanted, so they went to their night clubs, house parties, and neighborhood restaurants, therefore tax time, vacation time, school time did not effect my black market place, but culturally christmas and easter will effect my market, as a former member of the Detroit Chapter of the National Association Of Market Developers and being a promoter with new ideas i will eliminate the slow period in my business with the facilities turning-over creating a increase in volume of sales.

3-3-d

55

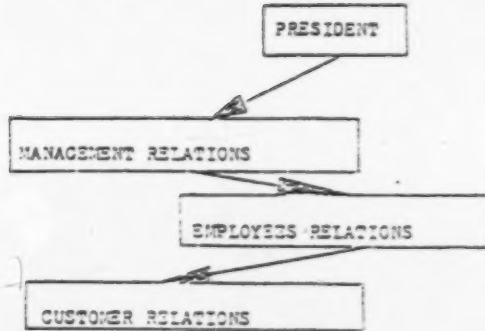
ORGANIZATION CHART



This example shows the organizational flow and the line of authority and responsibility, rather than exact number of personnel. In every business several people are needed for the various jobs indicated and the number will vary with changes in volume of business.

THIS IS A BUSINESS OF PEOPLE

FOR THE PEOPLE



A planned program for the development of people in the organization, all departments can be made into smooth working teams which accomplish the overall objectives of the business. To assist in establishing an organized method by which I can develop strong, well-qualified people in the business, whose sharply defined line of authority and responsibility will be the ability of management to coordinate and control the human effort in the group activity. By using individual evaluation, management will be in a position to determine areas of needed development, in every organization, people usually fall in one or two general categories, those who are well trained and fully qualified to discharge assignment with minimum supervision, or those who are not qualified and need constant supervision in carrying out assignments, the people who can be put in the last group are there usually because of a lack of desire.

1-6-10

JOB DESCRIPTIONS (continued)

training, motivation through carefully consideration of motivation factors such as added compensation, training, etc. a person can be continually stimulated, both on the job training and formal training must be a continuing part of my operation.

PRESIDENT AND GENERAL MANAGER

JOB OBJECTIVES:

1. Maintain satisfactory sales volume, 2. Develop satisfactory net earning and return on investment, 3. Maintain satisfactory distribution of capital according to plan, 4. Motivate department managers to satisfactorily obtain desired objectives, 5. Stimulate entire organization to activity needed to assure sales and profit objectives through compensation, personal contact, security programs, employees benefits:

JOB FUNCTIONS:

1. Assume responsibility for: all programs, projects and operations, planning and forecasting, organization and maintenance of all activities and establishment of standards to accomplish objectives, customer and employees public relations, selection of personnel used, compensation, training supervision and welfare, organize, supervise and coordinate all program, projects and operation, establish in writing standards necessary to accomplish objectives, check daily controls each day to determine previous days accomplishments, approve advertising media and copy as established by department managers, check effectiveness of advertising and sales promotion media used, check accounts receivable each week, issue order for collection, approve all expenditures for the purchase or repairs of equipment, building or fixtures, as well as improvements, hold regular forecasting meeting with department managers, plan and use contests and other promotion plans, banking, booking of live entertainment.

asst. general manager

1. Assume responsibilities of all programs, projects, operations, and goals, supervises all staff employees, buyer of all stock, check and balance all cash receipts, check daily controls each day, maintain all records, showing trend on the operations, expense and capital disbursement, frequently check to determine performance of all jobs in organization, check records of daily activities, analyze results, correct faults, plan and conduct regular training programs, job objectives is the same as the general manager's, conduct meetings, hiring and dischargings, pay employees, handle all complaints, work closely with chef to set-up menu also with bar manager, check all invoices, establish emergency plans, maintain records, retail prices, buying guides wholesaler phone numbers etc.

2-6-11

JOB DESCRIPTIONS (continued)

MAITRE D' ALSO WINE STEWARD

1. Assume responsibilities of supervising, all service of food and drinks, waiters and waitress working hours, working areas and changes, stock and materials needs, employee relationship with customers, screening of customers for dinner, bar or dinner and show, security person, maintain management employee relationship, absences corrections, advise Ass. Gen. Mgr. of any problem, because of line of authority, management relationship must be maintained, reservations acceptances, employs and discharge dining room, assigns section to waiter captains, with instruction to rotate, waiters and waitress so that each has the same number of guests.

HOSTESS

1. Assume responsibilities of the maitre d' with the line of authority, filling in for absent employees, screening and guiding of customers, accept reservations, answer telephone, assist maitre d' in operations, also supervise dining room employees organizes, instructs, and direct a staff of waiter captains, waiters, waitress, busboy, when customers enter the restaurant, they are escorted to a table also by the hostess, who consults their wishes, hands menus to them, and ascertains that she has waited upon them satisfactorily assign section to waiter captains, with instruction to rotate, waiters and waitress, so that each has the same number of guests.

CAPTAIN WAITERS

1. Assume responsibilities of supervising a staff of waiters and waitress, busboys, has charge of one section of dining room and so as to utilize tables space to best advantage or to give the appearance of a well filled establishment, inspect dining room and employees, observe appearance of employees, paying particular attention to their dress and cleanliness, assign station to waiters and waitress and rotate, so that each has the same number of guests. The captain waiters receive his instructions from maitre d' and hostess, he organizes, instructs and directs a staff and see that his instructions are carried out to the letter.

WAITERS AND WAITRESS, BUSBOYS, BUSGIRLS

1. Assume responsibilities of satisfying customers wishes, notes the order of each customer on an order pad and procures them from the kitchen and stops at the, food-checker, the waiter and waitress pays attention to the wants of the customer through-out the meal, removing used plates and carrying in new courses when the customers are ready, at the end of the meal, he or she presents the bill receives payment of same, some time customers themselves pay the cashier.

3-6-12

JOB DESCRIPTIONS (cont. food)

BUSBOYS AND BUSGIRLS

1. Assume responsibilities of supplying each customer with water and butter rolls, assists one or more waiter or waitress by taking away dirty dishes to the kitchen, replacing soiled table linen, bringing clean silverware to dining room, sweep and other tasks such as washing dishes, polishing silverware and receive instructions as how to become a waiter or waitress.

FOOD CHECKER

DEPARTMENT OF FOOD PREPARATION

1. Assume responsibilities of daily control each day to determine previous days accomplishments, the record serves as a check upon the total receipts and the daily demand for each items, check the quality and quantity, also making sure portions being served conform with predetermined standard set by management. compiles, tabulates, and prepares a complete audit of portions of food served at end of each meal period removes roll of paper upon which all charges are recorded, prepares and submits report to cashier to enable a balance to be made against that days receipts, food checker are directly under a manager, as a waiter and waitress carries his tray out of the kitchen they stop at the desk of the checker, who marks the price of each item on the check, and may inspect the plates to see if the food looks appetizing.

BARTENDER/MANAGER

1. Assume responsibilities of supervises, instructs, and assists bartenders in mixing and serving drinks and in keeping the bar in a neat, orderly condition maintains an adequate supply of liquors by taking inventory and requisitioning additional supply as need, mix alcoholic and non alcoholic drinks, either serve them at the bar or hand them to a waiter or waitress who pays for the drinks and add cost to customer food bill.

BOOKKEEPER

1. Assume responsibilities of keeping accounts, check vendors statement, reconcile and adjust each account payable, assist manager in various analyses, make vendor's checks, make payroll, red flag all unpaid account receivable, mail duplicate statements on all unpaid accounts, work closely with managers on daily controls sheets, make checks to vendors payable before the 10th of the month.

CASHIER

1. Assume responsibilities of all monies incoming from food served in dining room from waiters and waitress, departing customers, receive payment or accept charge if customer's name is in approved charge file, check all credit cards, balance funds daily, receive all internal billings, check for accuracy and authority, summarize and turn in to bookkeeper daily, operate change machine.

4-1-13

JOB DESCRIPTIONS (continued)

MAINTENANCE MAN AND REPAIRMAN

DEPARTMENT OF FOOD PREPARATION

1. Assume responsibilities of repairs to the plumbing fixtures, furniture, wood work, electrical system and appliances, performs other similar duties usually requiring experience as an all-around carpenter, painter, plumber and electrician, heating equipment, janitor.

EXECUTIVE CHEF

1. Assume responsibilities of food preparation plans meals supervises and coordinates the work of chefs, cooks and other kitchen employees, seeing that food preparation is economical and technically correct, requisitions food supplies, responsible for profitable operation of the food preparation department, make up menus, assigns prices to article on menus for banquets and other special occasions, arrange for printing of menus, distributes a copy to each chef and cooks, instruct cooks and chefs in the fine points of cooking, purchase supplies and equipment, employs and discharges workers, keeps pay-roll records, pay employees, salary adjustments, assume complete charge of the kitchen and storeroom, and pantry, keep cost account, and assign such price to food items as will result in a net profit for the back of the house, executive chef usually has two executive assistants, a sous chef and a chef de cuisine.

SOUS CHEF

1. Assume responsibilities of an assists executive chef in supervise the preparation and cooking of food by cooks and other kitchen employees, seeing that food is cooked as and when ordered, requisitions food needed by cooks, inspects portioning and garnishing of food, assist in the cooking of food for banquets and other special occasions, takes charge of kitchen in absence of executive chef, under the sous chef is the chef de cuisine and head cook and cooks and cooks helpers, vegetable preparers, etc. gives instructions and criticis as necessary, station himself in front of cooking ranges during meals, checking size of portions and calling out orders, given to him by waiters and waitress to cooks at ranges, inspect following days menu, writes requisitions for food stuff needed from storeroom, employ, train, and discharge minor kitchen employees such as preparers, dishwasher, garbage man, etc., have first hand knowledge of every cooking job in the kitchen, cooks specializing in one type of cooking, such as sauce cook mixes and prepares sauces and dressings and cooks some of the more difficult dishes, including game, poultry and brased or sautied meats and fish, prepares foodstuff for noon and evening meals.

5-6-14

JOB DESCRIPTIONS (cont. 1)

TRAINING, KITCHEN, BY EXECUTIVE CHIEF ON 1

Each cook will be in charge of one or more assistants or apprentices, who cut-up or grind meats, also transfer cooked food from the range to the steam table, and may dish portions for the waiters and waitresses to take to dining room, apprentices receive instruction in cooking as part payment for their services.

TRAINING, WAITERS, WAITRESSES:

Busboys and busgirls as apprentices also water girls, pantrymen or pantry-girls.

6-6-25

CHAPPY'S
FINANCIAL FORECAST 25 %
INCOME INCREASE OVER EXISTING BUSINESS
WITH THE INITIATIVE OF BREAKFAST AND
ENTERTAINMENT

1979 INCREASES

%	YEAR	MONTH	WEEK	DAY	
.24%	BREAKFAST	184129	15344	3836	548 By selling breakfast @ \$.39 x 125 people per
	LUNCH	240500	20041	5010	715 Existing from present operation
	DINNER	504017	42001	10500	1500 " " " "
.12%	DINNER	86725	7227	1806	258 By selling dinner @ \$12.50 x 20 people per day
	LIQUOR	200917	16743	4185	597 Existing from present operation
.15%	LIQUOR	30229	2519	629	89 By selling 2 cases of 24 bottle @ \$25.00 per day
.14%	BEER	29400	2450	612	87 By selling 1 bottle @ \$1.75 x 50 people per day
.12%	WINE	25400	2100	525	75 By selling 1 glass @ \$1.50 x 50 people per day
.09%	POP	19200	1600	400	57 By selling 1 glass @ \$1.00 x 50 people per day
	TICKETS(local)	210000	17500	4375	625 By selling mon,-thur. @ \$8.75 x 72 people 1 show
	TICKETS(star)	315000	26500	6562	937 By selling fri,-sun. @ \$17.50 x 54 people 1 show
	TOTAL GROSS	1845319	54025	38440	5488
	COST OF SALES INCREASE				
.24%	FOOD PURCHASES	69041	5753	1438	205
		276405	23033	5758	823 Existing cost of present operation
.25%	BAR PURCHASES	15189	1266	316	45
		60756	5863	1266	181 Existing cost of present operation
.25%	SUPPLIES	2999	250	62	9
		11989	999	250	36 Existing cost of present operation
	KITCHEN WAGES	211671	17636	4409	630 Existing cost of present operation
	ENTERTAINERS	240000	20000	5000	714
	TOTAL COST	888011	74001	18500	2643
.24%	TOTAL INCREASE	87229			

EXISTING COST OF PRESENT OPERATION _____ \$349150
KITCHEN WAGES OF PRESENT OPERATION _____ \$211631
ENTERTAINERS AND TICKET COST _____ \$240000
INCREASE COST FOR BREAKFAST _____ 87229

FINANCIAL FORECAST (continued)

RAOUL de MARCIA consultant to the food and beverage industry, expect the sales volume over the existing operation can be increase around 25% with the initiative of entertainment and breakfast.

CHAPPY'S FINANCIAL FORECAST 10 % INCOME INCREASE OVER 1979 PROJECTION WITH THE INITIATIVE OF BREAKFAST AND ENTERTAINMENT

1980 INCREASES

%

10% INCREASE OVER 1979 OF \$184531

BREAKFAST	36870	3073	768	109	By selling breakfast @ \$4.39 x 25 people per
LUNCH	52416	4368	1092	156	By selling lunch @ \$6.00 x 26 people per day
DINNER	42000	3500	875	125	By selling dinner @ \$12.50 x 10 people per day
ENTERTAINMENT	52920	4410	1102	157	By selling mon.-thru. @ \$8.75 x 18 people per day
GOODWILL	325	27	6	1	Free ticket for 3 people per month-36 per year
Total Gross	184531	15378	3843	548	
COST OF SALES INCREASE					
.07% FOOD PURCHASES	28361	2363	591	84	Bar purchases included
.07% UTILITIES	28361	2363	591	84	Supplies purchases included
TOTAL COST	56722				Because of the 1980 GOP convention

2-3-17

FINANCIAL FORECAST (continued)

CHAPPY'S FINANCIAL FORECAST 15 % INCOME INCREASE OVER EXISTING BUSINESS WITH THE INITIATIVE OF BREAKFAST AND ENTERTAINMENT

1981 INCREASE					
%	YEAR	MONTH	WEEK	DAY	
.15% INCREASE OVER 1980 OF \$361200					
	LUNCH	151200	12600	3150	450 By selling lunch @ \$6.00 x 75 people per day
	DINNER	210000	17500	4375	625 By selling dinner @ \$12.50 x 50 people per day
	TOTAL GROSS	361200	30100	7525	1075
COST OF SALES INCREASE					
.14%	FOOD PURCHASES	34188	2849	712	102
"	BAR PURCHASES	34188	2849	712	102
"	SUPPLIES "	34188	2849	712	102
.14%	UTILITIES	34188	2849	712	102
	TOTAL COST	136753	11396	2849	408
PROJECTED GROSS SALES					
	1979-----	1845319			
	1980-----	2029850			
	1981-----	2391050			

The above figures include food and beverage and ticket sales for show and dance. Additional income from (2) banquet rooms for wedding, private parties, parking lot, (2) hot check areas with display cases for saleable items, and meeting room, class "c" license with take-out of beer and wine 16% and less, which would mean a increase of aproximately 100000.

CHAPPY'S

1979 PROFIT AND LOSS INCOME PROJECTIONS

Total Sales	115332	173498	164246	115332	173498	192220	142313	134054	115332	173498	164176	181820	1645319
Cost of Goods	73810	75500	65700	65600	75900	79500	65400	65600	65400	75800	80900	98900	888011
Gross Profit	41522	97948	98546	49732	97598	112720	76913	68454	49932	97698	83276	82920	957308
Operating Expense													
Officer Sala.	10200	x 4											122400
Bar-tender	1548	x 2											18576
Waiters	1523	x 4											18272
Waitress	2559	x 10											25590
Maintenance	1042	x 1											12510
Busboy-Girl	742	x 2											8904
Advertising	1000												12000
Ins.Blue Cross	670												8042
Legal,Account	125												1500
linen	1000												12000
Maint-Repair	1178												14136
Other Taxes	715												2400
Payroll Taxes	2210												20000
Telephone	125												1500
Employee Benefit	700												2400
Utilities	3700												32600
licenses	92												1100
Ins.Bldg.Conts.	2700												32512
Depreciation	0												0
Total Oper.Exp.	31447												37720
Other Expense													
ICF	5605												67260
landcontract	5000												60000
SEA	1375												16500
Total Other Ex.	11920												143760
Total All Exp.	43427												521120
Net Profit	(1905)	54521	55119	6305	54171	69293	33486	25027	6505	54271	39849	39493	438040

CHAPPY'S

1979

CASH FLOW

Total Recpts.	115332	173498	164246	115332	173498	192220	142313	134054	115332	173498	164176	181820	1845319
Cash Disbursements													
Cost of Goods	73810	75500	65700	65600	75900	79500	65400	65600	65400	75800	80900	98900	888011
Officer Sala.	10200	x 4											122400
Bar-tender	1548	x 2											18576
Waiters	1523	x 4											18278
Waitress	2559	x 10											30715
Maintenance	1042	x 1											12510
Busboy-Girl	742	x 2											66
Advertising	1000												1200
Ins.Blue Cross	670												8042
Legal, Account	125												1500
Linen	1000												12000
Maint-Repair	1178												14236
Other Taxes	715												8500
Payroll Taxes	2219												25623
Telephone	125												1500
Employee Benefit	700												30620
Utilities	3300												1124
Licenses	97												32503
Ins.Reg.Conts.	2709												67260
ICF	5605												60000
Landcontract	5000												16500
SBA	1375												14091
Total Disbust.	117237	118927	109127	109027	119327	122927	108827	109027	108827	119227	124327	142327	4320
Net Cash Flow	(1905)	54521	55119	6305	54171	69293	33486	25027	6505	54271	39849	39493	4320
Cumulative Fl	(1905)	52616	107735	114040	168211	237504	270990	296017	302522	356793	396642	436040	
Cash Loan Pr.	100000												
Cash	1500												
Opening Bala.	101500	99595	154116	209235	215540	269711	339004	372490	397517	404022	458293	498142	
Cash Receipts	115332	173448	164246	115332	173498	192220	142313	134054	115332	173498	164176	181820	
Cash Disbust.	117237	118927	109127	109027	119327	122927	108827	109027	108827	119227	124327	142327	
Total New Bal.	99595	154116	209235	215540	269711	339004	372490	397517	404022	458293	498142	537635	

	CHAPPY'S PROFIT AND LOSS INCOME PROJECTIONS				
	1979				
	1st.	2nd.	3rd.	QUARTERS 4th.	Total YR.
Total sales	453076	481050	391699	519494	1845319
Cost of Goods Sold	215010	221000	196400	255600	888011
Gross Profit	238066	260050	195299	263894	957308
Operating Expense					
Officer Salaries					
Bartender					
Waiters					
Waitress					
Maintenance					
Busboy-Girl					
Advertising					
Ins, Blue Cross					
Legal, Account					
linen					
Maintenance, Repairman					
Other Taxes					
Payroll Taxes					
Telephone					
Employees Benefit					
Utilities					
licenses					
Ins, Bldg. Conts.					
Depreciation					
Total Oper. Exp.	94341	94341	94341	94341	377364
Other Expense					
ICF					
landcontract					
SEA					
Total Other Exp.	35940	35940	35940	35940	143760
Total All Exp.	130281	130281	130281	130281	521124
Net Profit	107785	129769	65018	133613	438040

CHAPPY'S

1980

PROFIT AND LOSS INCOME PROJECTIONS

Total Sales	126865	190848	180671	126865	190848	211442	156544	147459	126865	190848	180593	200002	2029350
Cost of Goods	81191	83050	72270	72160	83490	87401	71940	72160	71940	83380	88990	103770	97681
Gross profit	45674	107798	108401	54705	107358	124041	84604	75299	54925	107468	91603	91212	105303
Operating Expense													
Officer Sala.	10200	x	4										122400
Bar-tender	1548	x	2										576
Waiters	1523	x	4										1728
Waitress	2559	x	10										30715
Maintenance	1042	x	1										12510
Busboy-Girl	742	x	2										690
Advertising	1000												12000
Ins. Blue Cross	670												8042
Legal, Account	125												1500
linen	1000												12000
Maint-Repair	1178												8500
Other Taxes	715												26628
Payroll Taxes	2219												1500
Telephones	125												8400
Employee Benefit	760												3960
Utilities	3300												110
licenses	92												512
Ins.Bldg, Conts.	2700												37000
Depreciation	0												6720
Total Oper. Exp.	31447												6000
Other Expense													1650
ICF	5605												14376
landcontract	5000												521124
SBA	1375												531914
Total Other Ex.	11980												
Total All Exp.	43427												
Net Profit	2247	64371	64974	11278	63931	80614	41177	31872	11498	64041	48176	47785	

	CHAPPY-Y				
	1980 PROFIT AND LOSS PROJECTIONS				
	QUARTERS				Total YR.
	1st.	2nd.	3rd.	4th.	
Total Sales	498384	529155	430868	571443	2029850
Cost of Goods Sold	236511	243001	216040	281160	976812
Gross Profit	261873	286154	214828	290283	1053038
Operating Expense					
Officer Salaries					
Bartender					
Waiters					
Waitress					
Maintenance					
Busboy-Girl					
Advertising					
Ins. Blue Cross					
Legal Account					
Linen					
Maintenance, Repairman					
Other Taxes					
Payroll Taxes					
Telephone					
Employees Benefit					
Utilities					
Licenses					
Ins. Bldg. Conts					
Depreciation					
Total Oper. Exp.	94341	94341	94341	94341	377364
Other Expense					
ICF					
Landcontract					
SEA					
Total Other Exp.	35940	35940	35940	35940	143760
Total All Exp.	130281	130281	130281	130281	521124
Net Profit	131592	155873	84547	160002	531914

CHAPPY'S

1980

CASH FLOW

	126865	190848	180671	126865	190848	211442	156544	147459	126865	190848	180593	200002	2029850
Total Recpts.	126865	190848	180671	126865	190848	211442	156544	147459	126865	190848	180593	200002	2029850
Cash Disbursements													
Cost of Goods	81191	83050	72270	72160	83490	87401	71940	72160	71940	83380	88990	108790	976817
Officer Sala.	10200	x 4											12240
Bar-tender	1548	x 2											1857
Waiters	1523	x 4											1827
Waitress	2559	x 10											2719
Maintenance	1042	x 1											410
Busboy-Girl	742	x 2											45
Advertising	1000												1200
Ins.Blue Cross	670												804
Legal, Account	125												1500
Linen	1000												1200
Maint-Repair	1178												14136
Other Taxes	715												6580
Payroll Taxes	2219												2662
Telephone	125												120
Employee Benefit	700												8400
Utilities	3300												3760
Licenses	92												110
Ins.Bldg.Conts.	2709												3250
ICF	5605												6726
Landcontract	5000												6700
SBA	1375												500
Total Disbust.	124618	126477	115697	115587	126917	130828	115367	115587	115367	126807	132417	152217	14936
Net Cash Flow	2247	64371	64974	11278	63931	80614	41177	31872	11498	64041	48176	47785	53191
Cumulative Flow	2247	66618	131592	142870	206801	287415	328592	360464	371962	436003	484179	531914	
Cash on hand													
Cash													
Opening Bala.	537635	539882	604253	669227	680505	744436	825050	866227	898099	909597	973638	1,021814	
Cash Receipts	126865	190848	180671	126865	190848	211442	156544	147459	126865	190848	180593	200002	
Cash Disbust.	124618	126477	115697	115587	126917	130828	115367	115587	115367	126807	132417	152217	
Total New Bal.	539882	604253	669227	680505	744436	825050	866227	898099	909597	973637	1,021814	1,069599	

CHAPPY'S

1981

PROFIT AND LOSS INCOME PROJECTIONS

Total Sales	156965	220948	210771	156965	220948	241542	186644	177559	156965	220948	210693	230102	239105
Cost of Goods	85261	87120	76340	76230	87560	91471	76010	76230	76010	87450	93060	112860	102560
Gross Profit	71704	133828	134431	80735	133388	150071	110634	101329	80955	133498	117633	117242	136545
Operating Expense													
Officers Saln.	10200	x	4										12240
Bar-tender	1548	x	2										1557
Waiters	1523	x	4										727
Waitress	2559	x	10										2559
Maintenance	1042	x	1										1042
Busboy-Girl	742	x	2										1484
Advertising	1000												1000
Ins.Blue Cross	670												1200
Legal, Account	125												800
Linen	1000												1500
Maint- Repair	1178												12000
Other Taxes	715												1413
Payroll Taxes	2219												840
Telephone	125												1500
Employee Benefit	700												5400
Utilities	3500												3000
Licenses	92												1100
Ins.Bldg.Conts.	2709												3551
Depreciation	0												0
Total Oper.Exp.	31447												3551
Other Expense													0
ICF	5605												6726
Landcontract	5000												6000
SBA	1375												1600
Total Other Ex.	11980												14376
Total All Exp.	43427												52110
Net Profit	28277	90401	91004	37308	89961	106644	68207	57902	37528	90071	74206	73815	54322

CHAPPY'S PROFIT AND LOSS PROJECTIONS					
	1981				Total YR.
	1st.	2nd.	3rd.	QUARTERS 4th.	
Total Sales	588684	619455	521168	661743	2391050
Cost of Goods Sold	248721	255261	228250	293370	1025602
Gross Profit	339963	364194	292918	368373	1365448
Operating Expense					
Officer Salaries					
Bar tender					
Waiters					
Waitress					
Maintenance					
Busboy-Girl					
Advertising					
Ins. Bldg. Cross					
Legal, Account					
Linen					
Maintenance, Repairman					
Other Taxes					
Payroll Taxes					
Telephone					
Employee Benefit					
Utilities					
Licenses					
Ins. Bldg. Conts					
Depreciation					
Total Oper. Exp	94341	94341	94341	94341	377364
Other Expense					
ICF					
Landcontract					
SEA					
Total Other Exp.	35940	35940	35940	35940	143760
Total All Exp.	130281	130281	130281	130281	521124
Net Profit	209682	233913	162637	238092	844324

8-9-26

CHAPPY'S

1981

CASH FLOW

	1981	220948	210771	156965	220948	241542	186644	177559	156965	220948	210693	230102	2391050
Total Repts.	156965	220948	210771	156965	220948	241542	186644	177559	156965	220948	210693	230102	2391050
Cash Disbursements													
Cost of Goods	85261	87120	76340	76230	87560	91471	76010	76230	76010	87450	93060	112860	1025602
Officer Sala.	10200	x 4											122400
Bar-tender	1548	x 2											18576
Waiters	1523	x 4											18278
Waitress	2559	x 10											26715
Maintenance	1042	x 1											12510
Busboy-Gril	742	x 2											8000
Advertising	1000												10000
Ins.Blue Cross	670												5040
Legal, Account	125												1500
Linen	1000												12000
Maint-Repair	1178												14136
Other Taxes	715												8580
Payroll Taxes	2219												26528
Telephone	125												1500
Employee Benef.	700												6000
Utilities	3300												30600
Licenses	92												1104
Ins.Bldg.Conts.	2709												32508
ICF	5605												67260
landcontract	5000												60000
SBA	1375												16000
Total Disbur	128628	130547	119767	119657	130987	134898	119437	119657	119437	130877	136487	156287	1545736
Net Cash Flow	28277	90401	91004	37308	89961	106644	67207	57902	37528	90071	74206	73315	844324
Cumulat. Flow	28277	118678	209682	246990	336951	443595	510802	568704	606232	646303	770509	844324	
Cash on Hand													
Cash													
Opening Bal	1069599	1097876	1188277	1279281	1316589	1406550	1513194	1580401	1638303	1675831	1701902	1776	
Cash Receipts.	156965	220948	210771	156965	220948	241542	186644	177559	156965	156948	210693	230	
Cash Disbust.	128688	130547	119767	119657	130987	134898	119437	119657	119437	130877	136487	136937	156
Tot. New Ba.	1097876	1186277	1279281	1316589	1406550	1513194	1580401	1638303	1675831	1701902	1776108	17499	

CHAPPEY S
1981
BALANCE SHEET
ASSETS

CURRENT ASSETS		
Cash -Bank	250000	
Cash -savings	3000	
Account Receivable - House	2000	
Account Receivable - American Express	2500	
Account Receivable - Diners Club	1500	
Account Receivable - Bank Americard	1000	
Account Receivable - Master Charge	3000	
Inventory	35000	
Prepaid Insurance and Blue Cross	40540	
Prepaid Interest	53760	
Prepaid Taxes	7908	
Prepaid Payroll	26628	
TOTAL CURRENT ASSETS		426636
FIX ASSETS		
Building and Land	985563	
Building Improvement and Land	360718	
Equipment	143371	
Furniture and Fixtures	112763	
Accumulated Depreciation	46947	
Land		1249362
TOTAL FIXED ASSETS		
OTHER ASSETS		
Goodwill	50000	
Cash Surrender Value Life Ins.		
Deposits	250	
Investment	50000	
TOTAL OTHER ASSETS		100250
TOTAL ASSETS		1776448

1-6-28

CHAPY 'S
198.
Balance Sheet
LIABILITIES

CURRENT LIABILITIES		
Account Payable	65519	
Sales Tax Payable	91110	
Federal Income Tax Withheld	21910	
FICA	24036	
State Income Withel	20238	
City Income Tax Withheld	10122	
Payroll Taxes Payable	26626	
Accrued Mesc.		
Accrued FUT		
Note Payable - Current Income Tax Payable		457389
TOTAL CURRENT LIABILITIES		
LONG TERM DEBT		
Notes Payable -Officers	296197	
Notes Payable ICF	62319	
Notes Payable IC	94285	
Notes Payable SBA		
Notes Payable		452801
TOTAL LONG TERM DEBT		
TOTAL LIABILITIES		910190
STOCKHOLDERS EQUITY		
Capital Stock	25000	
Paid in Capital Surplus	25000	
Retained Earnings	50000	
Treasure Stock	50000	
Net Income to Date		
Current Period Dividends		150000
TOTAL		
TOTAL STOCKHOLDERS EQUITY		1060190
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY		716258
NET WORTH EQUITY		1776448
TOTAL LIABILITIES AND NET WORTH		

2-6-29

CHAPTER 10
1980

BALANCE SHEET
ASSETS

CURRENT ASSETS		
Cash Bank		
Cash Saving	200000	
Account Receivable- House	15000	
Account Receivable- American Express	1000	
Account Receivable- Diners Club	1500	
Account Receivable- Bank Americard	1000	
Account Receivable- Master Charge	800	
Inventory	1300	
Prepaid Insurance and Blue Cross	35000	
Prepaid Interest	40540	
Prepaid Taxes	53760	
Prepaid Payroll	7908	
TOTAL CURRENT ASSETS	26628	
FIX ASSETS		
Building and Land		370936
Building Improvements and Land	585563	
Equipment	360718	
Furniture and Fixtures	143371	
Accumulated Depreciation	112763	
Land		
TOTAL FIXED ASSETS	46947	
OTHER ASSETS		
Goodwill		1249362
Cash Surrend Value Life Ins	50000	
Deposit		
Investment	250	
TOTAL OTHER ASSETS		50250
TOTAL ASSETS		1670548

3-6-80

CHAPP 'S
196
Balance Sheet
LIABILITIES

CURRENT LIABILITIES

Account Payable	65500
Sales Tax Payable	94219
Federal Income Tax Withheld	21020
FICA	24030
State Income Withheld	20230
City Income Tax Withheld	10112
Payroll Taxes Payable	20620
Accrued Mesc.	
Accrued FUT	
Note Payable - Current Income Tax Payable	

TOTAL CURRENT LIABILITIES

457389

LONG TERM DEBT

Notes Payable - Officers	
Notes Payable ICF	296197
Notes Payable LC	62710
Notes Payable SBA	94285
Notes Payable	

TOTAL LONG TERM DEBT

452801

TOTAL LIABILITIES

910190

STOCKHOLDERS EQUITY

Capital Stock	25000
Paid in Capital Surplus	25000
Retained Earnings	50000
Treasure Stock	50000
Net Income to Date	
Current Period Dividends	

TOTAL

150000

TOTAL STOCKHOLDERS EQUITY

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY

1060190

NET WORTH EQUITY

716258

TOTAL LIABILITIES AND NET WORTH

1776448

2-0-24

CHAPPE'S
198

BALANCE SHEET
ASSETS

CURRENT ASSETS

Cash Bank	200000
Cash Saving	15000
Account Receivable- House	1000
Account Receivable- American Express	1500
Account Receivable- Diners Club	1000
Account Receivable- Bank Americard	800
Account Receivable- Master Charge	1200
Inventory	35000
Prepaid Insurance and Blue Cross	40540
Prepaid Interest	53750
Prepaid Taxes	7908
Prepaid Payroll	26625

TOTAL CURRENT ASSETS

370936

FIX ASSETS

Building and Land	585563
Building Improvements and Land	360718
Equipment	143371
Furniture and Fixtures	112763
Accumulated Depreciation	
Land	46947

TOTAL FIXED ASSETS

1249362

OTHER ASSETS

Goodwill	50000
Cash Surrend Value Life Ins	
Deposit	250
Investment	

TOTAL OTHER ASSETS

50250

TOTAL ASSETS

1670548

3-6-30

CHAPP. Y
197
BALANCE SHEET
ASSETS

Current Assets

Cash Bank (loan)	3100000
Cash saving	1500
Account Receivable- House	1000
Account Receivable- American Express	1500
Account Receivable- Diners Club	1000
Account Receivable- Bank Americard	300
Account Receivable- Master Charge	500
Inventory	25000
Prepaid Insurance and Blue Cross (8042)	40540
Prepaid Interest	52760
Prepaid Taxes	7908
Prepaid Payroll	26628

TOTAL CURRENT ASSET

FIXED ASSETS

Building and Land	585563
Building Improvements and Land	350718
Equipment	143371
Furniture and Fixtures	112763
Accumulated Depreciation	
Land	46947

TOTAL FIXED ASSET

OTHER ASSETS

Goodwill	
Cash Surrender Value Life Ins	50000
Deposit	250
Investment	

TOTAL OTHER ASSETS

TOTAL ASSETS

50250

1569248

With-out Audit

Owner's Equity is not Cash.

Owner's Equity is for creating the business opportunity voted by the board of directors.

Sources of data

Lorco's Inn, Inc.

Balance Sheet and Profit and Loss Statement

5-8-32

CHAPP 3
1981
BALANCE SHEET
LIABILITIES

CURRENT LIABILITIES		
Account Payable	52400	
Sales Tax Payable	83194	
Federal Income Tax Withheld	219303	
FICA	24036	
State Income Tax Withheld	20278	
City Income Tax Withheld	10132	
Payroll Tax Payable	26628	
Accrued Mesc.		
Accrued FUT		
Note Payable -Current		
Income Taxes Payable		
TOTAL CURRENT LIABILITIES		435970
LONG TERM DEBT		
Notes Payable IOF	327275	
Notes Payable LC	112220	
Notes Payable SBA	102199	
Notes Payable		
TOTAL LONG TERM DEBT		541694
TOTAL LIABILITIES		977664
STOCKHOLDERS EQUITY		
Capital Stock	25000	
Paid in Capital Surplus	25000	
Retained Earnings	50000	
Treasure Stock	50000	
Net Income to date		
Current Period dividends		
TOTAL		
TOTAL STOCKHOLDERS EQUITY		1127664
TOTAL LIABILITIES AND STOCKHOLDER EQUITY		542884
Net Worth Equity		
TOTAL LIABILITIES AND NET WORTH		1670548

4-6-31

CHAPPY'S
1979
BALANCE SHEET

LIABILITIES

CURRENT LIABILITIES

Accounts Payable
Sales Tax Payable
Federal Income Tax withheld
FICA
State Income Tax Withheld
City Income Tax Withheld
Payroll Tax Payable
Accrued Mesc.
Accrued FUT
Notes Payable - Current
Income Taxes Payable

40000
73812
219102
20036
20278
10132
25628

TOTAL CURRENT LIABILITIES

414098

LONG TERM DEBT

Notes Payable-Officers
Note Payable ICF
Notes Payable LC
Notes Payable SEA
Note Payable

356240
158000
109400

TOTAL LONG TERM DEBT

623640

TOTAL LIABILITIES

1037728

STOCKHOLDERS EQUITY

Capital Stock
Paid in Capital Surplus
Retained Earnings
Treasury Stock
Net Income to Date
Current Period Dividends

25000
25000
50000

TOTAL

1000000

TOTAL STOCKHOLDERS EQUITY

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY

1137728

NET WORTH EQUITY

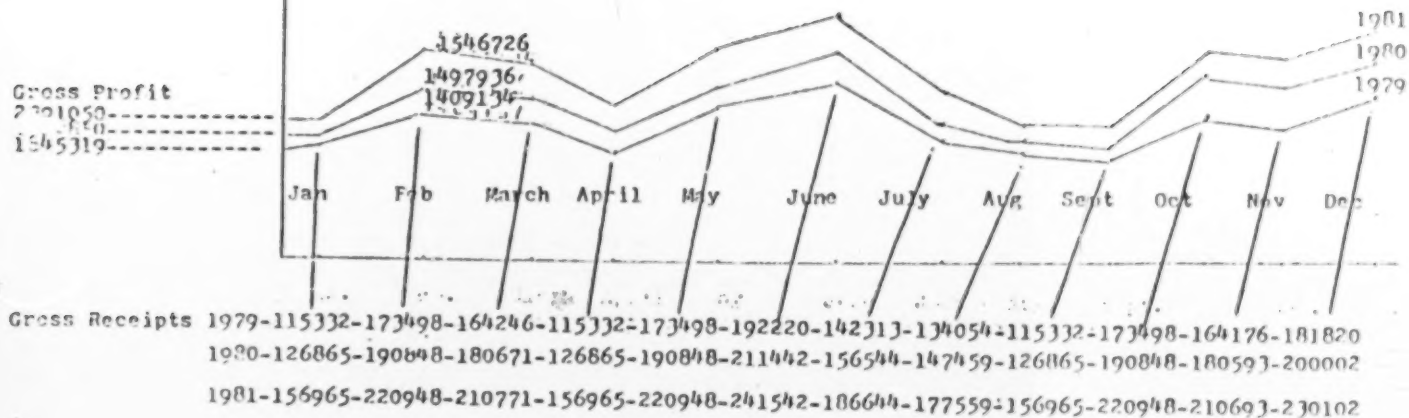
431520

TOTAL LIABILITIES AND NET WORTH

1569248

6-6-33

BREAK - EVEN ANALYSIS



NOTES AND EXPLANATIONS FOR INCOME PROJECTIONS

1979 1980 1981

- line
1. Sales-Cash sales from: Food, Breakfast, Lunch, Dinner, Bar, Tickets sales Entertainment, the following income is not included from Banquet room, Meeting room, Weddings and private parties, Bingo, young people groups, church group, leases parking lot, hat check, take-out license on wine and beer.
3. Cost of Good Sold- for food purchases, bar purchases, kitchen wages, supplies kitchen, and cost of entertainment.
5. Gross Profit-line (3) minus (1)
8. Principle Officers (4)-president, gen. mgr.-bookkeeping, office mgr.-banquet, bingo mgr.-ass. gen. mgr..
9. Bartender (2)
10. Waiters (4)
11. Waitress (10)
12. Maintenance (1)
13. Busboy, Girls (2)
14. Advertising and Promotions-radio, tv, news paper, magazines, theater program, sports programs, etc.
15. Ins. Blue Cross-employees benefits
16. Legal and Accounting-LOUIS BASSO (retainer)
17. linen-table cloths, napkins, towels, etc.
18. Maintenance-equipment repairman
19. Other taxes-estimated sales taxes from bars (2)
20. Payroll Taxes-kitchen wages
21. telephone-contacting wholesalers for supplies, reservations, office work, etc.
22. Union Dues-employee's union benefits
23. Utilities-light, gas, water.
24. Licenses-state and city.
25. Insurance-building and contents, parking lot, customer's cars etc.
26. Depreciation-none the first three years
27. Total Operating Expense-line (8) through (26)
28. ICF-payment on loan @ 10.75%-90% guarantee by SBA-\$400000 - 15 yrs.
29. Land contract-payment on balance owed to larco's INN INC. @ 9% \$200000 -4yrs.
30. SPA-payment on old loan balance owed to SBA @ 8 1/2% 110338 -10 yrs.
31. Total Other Expense-line (29) through (31)
32. Total All Expense-line (8) through (33)
35. Net profit-line (5) minus (34)

NOTES AND EXPLANATIONS FOR PRO FORMA CASH FLOW

1979

1980

1981

- Line
- "A"-Total Cash Receipts-from food-Breakfast,Lunch,Dinner,Bar,Ticket sales Entertainment,the following incomes not included from Banquet room, Meeting room, Weddings and private parties, Bingo,young people groups, church groups, leases parking lot, hat check, take-out license on wine and beer.
- "B"-CASH DISBURSEMENT
1. Cost of Goods Sold- for food purchases, Bar purchases, Kitchen wages, supplies kitchen, and cost of entertainment.
 2. Principle Officers (4) president, gen. mgr.-bookkeeping, office mgr.-banquet, bingo mgr.- ass. gen. mgr.
 3. Bartenders(2)
 4. Waiters(4)
 5. Waitress (10)
 6. Maintenance(1)
 7. Busboy-Girls (2)
 8. Advertising and Promotions-radio, tv, news paper, magazines, theater programs, sports programs.
 9. Ins. Blue Cross-Employees benefits
 10. Legal and Accounting-LOUIS BASSC (retainer)
 11. Linen- table cloths, napkins, towels, etc.
 12. Maintenance (1)-equipment repairman
 13. Other Taxes-estimated sales tax-bar (2)
 14. Payroll Taxes-kitchen wages
 15. Telephone-contact wholesalers for supplies, reservations, office work, etc.
 16. Union Dues-employees union benefits
 17. Utilities-lights, gas water
 18. Licenses-state and city
 19. Insurance-building and contents, parking lot, customers cars etc.
 20. ICF-payment on loan @ 10.75%-90% guarantee by SBA-\$400000 - 15 yrs.
 21. Landcontract-payment on balance owed to LARCO'S INN IN. @9% \$400000 -4yrs.
 22. SBA-payment on old loan balance owed to SBA @ 8 1/2% \$110338 -10 yrs.
 23. Total Cash Disbursement-line (A) through (22)
 24. Net Cash Flow-line (A) minus (24)
 25. Cumulative Cash Flow-is net cash flow on a monthly basis,
 26. Cash on Hand-loan proceeds
 27. Cash-bank
 28. Opening Balance-total of line(30) and(31)
 29. Cash Receipts-added to line (32)
 30. Cash Disbursement-minus total of lines (32) and (33)
 31. Total New Balance-the opening balance for the next month.

CASH VALUE AND REPLACEMENT COST

BUILDING AND CONTENTS

	CASH VALUE	-----REPLACEMENT COST TODAY
1968- Building Size --- 222,904 cu. ft. @ \$1.59	-----	1979-- \$10.00 per cu.ft.
222,904 cu ft	421258	2229040
Building Improvement and Betterments	350718	650723
Machinery and Equipment (kitchen)	143771	573480
Bar Equipment	65182	156437
Office Furniture and Fixtures	47580	114192
Land and Land Improvements	211233	325000
Depreciation	(430569)	(430569)

SOURCE OF DATA

1968- IARCO'S INN appraisal by 1249372
ROBERT A. KRAUSE AND ASSOCIATES

1979- Replacement Cost and Actual Cash Value Building and Equipment

SOURCE OF DATA

ROBERT A. KRAUSE AND ASSOCIATES
NATHAN JOHNSON AND ASSOCIATES, INC
THE F.D. STELLA PRODUCT COMPANY
REPLACEMENT COST OF COLLATERAL

1979- ACTUAL CASH EQUITY VALUE 818792 4055072
3624503
COST FACTOR IN TODAY'S MARKET IS - \$15.00 to \$25.00 @ cu.ft.

MAJOR EXPENSES

BUDGET

CONTROLABLE OVERHEAD COSTS

	MONTH	YEAR
Telephones Lines 3	125	1500
Supplies (kitchen)	1249	14988
Utilities	33000	39600
Laundry	1000	12000
Repair and Maintenance	300	3600
Transportation	200	2400
Professional Service	125	1500
Advertising and Office	1000	12000
Security	2000	24000
Employee Wages and Benefit	39158	469900
Supplies: Dining room and Bar	36364	436379
Entertainment	20000	240000
Loans (3) Payments	11980	143760

CHAPPY'S PROJECTION

	1st.yr.	%
Gross Receipts	\$1845319	100 %
Cost of Good Sold	888011	.48 %
Gross Profit	957308	.52 %
Total Expense	455926	.25 %
Net Profit befor Taxes	501382	.27 %
Total Taxes (fed'l state)	270744	.14 %
city		
Net Profit after Taxes	103387	.06 %

1-2-68

CLOSING COMMENTARY

CHAPPY'S ATHLETIC CLUB INC: goals are to increase the profit picture 25 % with the initiative of entertainment during breakfast, lunch, dinner, such dancing 24 hours, featuring a wide variety of live entertainment, bands, dancers, singers, instrumentalists, comedians. New ideas in restaurant operations creates an advantage over competitors.

House specialty "Flaming Gourmet Trays" also simple food menus but exotic. Banquet room, private parties, meetings, take-out service and the sale of novelty items, jewelry, club T-shirt, etc. The gross receipts will increase with these new ideas combined with the old operation and in its market place competition is non-existent.

Creation of full community service add a new dimension to this restaurant and entertainment business, because it is located in a 80 % black community.

Marketing strategy will be for those customers who wants something deferent in atmosphere and entertainment, also Chappy's strategy will be to develop the church market place, and the young people's market, which is our future market.

PRESS RELEASES

LARCO'S INN which as been in business for over 30 yeras in the city of Detroit now opens under new ownership CHAPPY'S ATHLETIC CLUB INC. press releases announcing the start of the newest ideas and most unique restaurant in the city of Detroit, open 24 hours offering 4 shows per day every 5 hours, 6 am breakfast show 7 am- 8 am, 11 am lunch show 12:30-1:30 pm, 5 pm dinner show 6:30 pm - 7:30 pm, 11:30 pm late dinner hour show 12:30 am - 1:30 am, food served after late show, sunday church entertainment, young people sunday entertainment, banquet room, bingo games for senior citertzens. The press preview will be on wednesday, grand opening for the general public thur. fri. sat, sun, starting with the press releases heavy promotional strategy, with seachlights in front of building, detroit news, free press paper, tv news, photographers, michigan chronicle, oakland press, birmingham news, etc. T-shirt on the back CHAPPY'S INN, on the front the kid says.

TO: Fred Romanoff
FROM: Stuart H. Mahler

DATE: January 9, 1980

RE: Chappy's Athletic Club, Inc.

The writer and Joe Drobot met with Willis Chapman on December 13, 1979 to discuss his application. Essentially, we outlined the problems indicated in my memo of December 10, 1979. In the discussion with Mr. Chapman, the following additional items were discovered:

1. Mr. Chapman had obtained a loan from the SBA which was, subsequently, charged off. The loan was obtained under the name of Chappy Service and Sales which existed between 1976 and 1977. Mr. Chapman did indicate that he agreed to repay the loan after he received a loan to the above referenced company.
2. Further, it was learned that Mr. Chapman had lost his home through foreclosure and that his personal financial statement as presented on the application was not correct.
3. Mr. Chapman confirmed that he did have a police record which included an arrest for "numbers", an arrest for carrying a concealed weapon (pistol), and finally an arrest for using profanity to a police officer (a woman).
4. Mr. Chapman indicated that he had no money to put into this new venture. He felt sure he could obtain \$25,000 from Rose Perry (his mother-in-law?) which was to be the amount to capitalize this operation.

In conclusion, Mr. Chapman offered no explanation for any of the weaknesses in this application as outlined in the attached memo. He seemed far more interested in obtaining formal declination so that he could use this declination for some purpose.

SHM/sh

INTER-OFFICE COMMUNICATIONS

EXH C

TO Fred J. Romanoff
FROM Stuart H. Mahler
RE Chappv's Athletic Club, Inc.

December 10, 1979

I have reviewed the SBA application and attendant supporting data. The following is a summary of my observations, conclusions, and recommendation.

Observations

1. Mr. Willis Chapman has an extensive employment history in the auto business, but no apparent restaurant experience.
2. In SBA form 4, "Application for Loan", Mr. Chapman has checked "yes" on question 9 asking if he or any other officers have ever been involved in a bankruptcy or insolvency proceeding. This question requires elaboration in an Exhibit K. I did not find any elaboration in my package.
3. Upon reviewing Mr. Chapman's personal financial statement, I have noted that his net worth is \$50,000, made up primarily of real estate investments. It does not appear that Mr. Chapman has either the liquidity or sufficient equity in assets to afford him any "staying power" if the restaurant projections prove too optimistic.
4. Neither Mr. Chapman nor the other principals appear to be making any appreciable capital contribution. This entire project seems to be a 100% fully leverage purchase.
5. As a general comment on the financial presentation - Although there was obviously an extensive amount of effort in researching the assumptions going into the feasibility study, the financial projections lack clarity, consistency, and conformity with generally accepted accounting practices. Additional time would have to be spent to clearly understand the projections. However, two observations may be made:
 - a. Projected sales volume for the first year is approximately \$1,800,000 which is, in my opinion, excessively optimistic for even the most successful restaurateur.

Page Two
Chappy's Athletic Club, Inc.
December 10, 1979

- b. The projected balance sheet reflects a "deficit net worth" when eliminating intangible assets.
- c. There are many more specific comments I could make but the above five points capsuleize the most cogent observations.

Conclusions

Fred, as you are aware, MNBD's loan policy specifically dictates avoidance of loans to under-capitalized businesses (see attached copy of loan policy). In addition, the Bank is directed to discourage loans "without adequate (collateral) margins or adequate regard for (collateral) marketability".

I believe this application reflects both of the above mentioned conditions. In addition, our experience with restaurant loans, even with acceptable capitalization and adequate collateral margins, has been very poor.

Recommendation

It is true that Mr. Chappy is requesting a 90% SBA guarantee which would limit the Bank's exposure to \$40,000. However, I do not feel the application contains information which would support a reasonable probability of success. Therefore, I could neither recommend that the SBA make the loan, nor recommend the Bank assume the \$40,000 risk.

SRL:an

Attachments

MICHIGAN NATIONAL BANK OF DETROIT

LENDING POLICY

The Board of Directors and the management of the bank believe that sound loans are a desirable and profitable means of employing funds available for investment. Further, it is recognized that the lending of money by the bank is a community responsibility which involves a degree of business risk. The management of the bank is willing to undertake such risks, utilizing standard banking procedures and prudent judgement to effect the policies set forth by the Board of Directors.

The bank's loan policy is based on a sincere desire to render a money service to all qualified applicants. Loans so made shall be in an amount and for a length of time consistent with the applicants qualifications. These qualifications shall include, but not be limited to, the ability to pay, prior paying habits, character and security when used. Regardless of size, loans shall be made with or without collateral in accordance with a realistic appraisal of the facts. Programs to be adopted in connection with the general loan policy shall include: 1) the recognition by management of the necessity to maintain current, complete, and reliable credit information; 2) enforcement of the terms and conditions of the loan especially as relates to repayment; 3) periodic review, inspection, or administration after disbursement; 4) general diversification of the portfolio; 5) energetic pursuit of collection effort on charged-off loans; and 6) strict adherence to all rules and regulations of the Comptroller of the Currency, Federal Reserve Board, and F. D. I. C.

Michigan National Bank of Detroit complies with Fair Credit Billing, Home Mortgage Disclosure, Fair Credit Reporting, Truth in Lending (Regulation Z), the Equal Opportunity Act (Regulation B), by not discriminating in the extension of Credit on the basis of race, color, religion, national origin, marital status, sex or physical handicap. It is the policy of Michigan National Bank of Detroit to afford every applicant an equal opportunity to obtain a loan based on criteria which reasonably reflects the applicant's ability and willingness to meet debt obligations.

It shall be the general policy of the bank to avoid the types of "poor risk" loans listed below:

- 1) Loans to assist in becoming established in business. The borrower wants the bank to advance, part or all of the capital needed to start his business;
- 2) Loans based more on the expectation of successfully completing a business transaction than on actually existing net worth;

- 3) Loans for the speculative purchase of securities or goods, or similar non-productive loans;
- 4) Collateral loans carried without adequate margins or adequate regard for marketability;
- 5) Loans for carrying real estate transactions against equity ownerships and construction loans without a firm takeout commitment from a reliable permanent investor;
- 6) Loans made because of control of large balances on deposit in the bank and not based on sound net worth;
- 7) Loans that may be dollar good but, in the background, are weakened by a bad moral risk;
- 8) Loans predicated on the unmarketable stock of a local corporation when the bank is at the same time loaning directly to the corporation;
- 9) Insider loans for the benefit of controlling interests, officers or their friends, on terms far more generous than afforded the general public and to the detriment of the bank.

The Board of Directors shall from time to time appoint lending committees to act on loan requests in excess of individual lending authority. The dollar limit of such authorities granted committees and individual officers shall also be established by the Board of Directors. Appointments to these committees and the establishment of authorities shall be reviewed annually by the Board of Directors and shall set forth in a separate "policy memorandum" to all members of the lending staff.



EXH. F

MICHIGAN NATIONAL BANK
OF DETROIT

1000 Woodward Ave. • P. O. Box 1000
Tel. Chicago 4-1111 • Telex 210 000 000

January 10, 1960

Mr. Willis V. Chapman
3316 Greenfield, Apt. 1
Detroit, Michigan 48208

Dear Mr. Chapman:

The enclosed loan package was referred to me by Mr. Fred Romanoff for review, and in fact was never considered as a loan application for credit. Therefore, we are returning this package to you at your request.

Very truly yours,

Stuart H. Hanter
Senior Vice President

SKM:sh

Enclosure

cc: Fred Romanoff
A. Brown

96

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

*Filed
10/27/81*

WILLIS W. CHAPMAN,

Plaintiff,

vs

No. 79-74777

HON. PATRICIA J. BOYLE

MICHIGAN NATIONAL BANK OF DETROIT,
SUBSIDIARIE, AND MICHIGAN NATIONAL
CORPORATION, a bank holding company,

Defendants.

AFFIDAVIT OF THOMAS WAGNER

STATE OF MICHIGAN)
) SS
COUNTY OF OAKLAND)

THOMAS J. WAGNER, being first duly sworn, on oath
deposes and says that:

1. I am a Group Vice President of Defendant Michigan
National Bank of Detroit and have personal knowledge of the
facts stated herein.

2. I am aware that in 1976, loan arrangements between
Michigan National Bank of Detroit and Leonard Friedman were
restructured. Leonard Friedman is the individual referred by
the Plaintiff Willis W. Chapman in this case.

3. At that time, Mr. Friedman's obligations to Michigan
National Bank of Detroit were restructured to result in a term
loan for One Million Five Hundred Thousand (\$1,500,000.00)
Dollars.

4. The security for this loan was:

(a) A mortgage on property located at 7000 Lonyo Avenue, with an estimated Fair Market Value of \$400,000.00 to \$500,000.00; and

(b) A mortgage on property located on Military Street in Detroit with an estimated Fair Market Value of \$1,500,000.00 to \$1,700,000.00; and

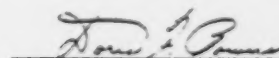
(c) Three overhead cranes located at the Military Street property with an estimated Fair Market Value of \$100,000.00 to \$125,000.00.

5. In addition, Michigan National Bank of Detroit was aware at that time, and considered as highly relevant to its extension of credit to Mr. Friedman, that his net worth was approximately Sixteen Million (\$16,000,000.00) Dollars.

6. At no time did Michigan National Bank of Detroit grant to Mr. Friedman or, to my knowledge, any other person, any extension of credit secured by property appraised on a "replacement cost basis."


THOMAS S. WAGNER

Subscribed and sworn to before me
this 27th day of October, 1981.



Notary Public, _____ County, MI
My Commission Expires: _____

DORIS F. POWERS
Notary Public, Oakland County, Michigan
My Commission Expires July 9, 1985

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

Filed
1/24/82

WILLIS W. CHAPMAN,

Plaintiff,

-vs-

Civil Action No. 79-74777
Honorable Patricia J. Boyle

MICHIGAN NATIONAL BANK OF DETROIT
and
MICHIGAN NATIONAL CORPORATION,

Defendants.

ORDER GRANTING IN PART
AND TAKING UNDER ADVISEMENT IN PART
DEFENDANTS' MOTION FOR SUMMARY JUDGMENT

Plaintiff brings this action under the Equal Credit Opportunity Act, 15 U.S.C. § 1691, and the Civil Rights Act, 42 U.S.C. § 1981, alleging that Defendants discriminated against him in denying his application for a secured loan. Plaintiff alleges that Defendants undervalued his proffered collateral, a restaurant, that he sought to purchase with the loan money, and, also, that Defendants discriminated against him by applying a different formula, "replacement cost" appraisal, in valuing the collateral of white loan applicants, while Plaintiff's collateral was valued at fair market value.

In October of 1978, Plaintiff submitted a loan application to Defendant Michigan National Bank in order to finance his purchase of Larco's. Initially, Defendant refused to review Plaintiff's application for credit, informing Plaintiff that his application was not in proper form. Subsequently, Plaintiff resubmitted his application to Defendant through Michigan National Bank Vice President Fred Romanoff, and Defendant ultimately reviewed the application for credit. In denying Plaintiff's request for credit in the amount of Four Hundred Thousand Dollars (\$400,000), Defendant cited Plaintiff's prior bankruptcy proceedings, lack of other resources, prior defaulted

Small Business Administration loan and home mortgage and concluded that Plaintiff was a poor credit risk.

Defendants bring the instant motion to dismiss and motion for summary judgment (which this Court will treat as a motion for summary judgment since both sides have submitted affidavits) alleging that their rejection of Plaintiff's application was not discriminatorily motivated. Defendants state that, initially, Plaintiff's application was in improper form and was later rejected because Plaintiff was a bad credit risk. Furthermore, Defendants allege that there is no genuine issue of fact, that the assessment of Plaintiff's collateral on a market value basis was a permissible method of appraisal recognized by the Comptroller of the Currency, that Defendants do not generally value collateral on a "replacement cost" basis, and that Michigan National Bank did not discriminate against Mr. Chapman by appraising his collateral at market value while appraising the collateral of white borrowers by other methods.

The party moving for summary judgment has the burden of establishing the absence of any genuine issue of material fact. Adickes v. S. H. Kress & Co., 398 U.S. 144 (1970).

The Sixth Circuit has held: "In ruling on a motion for summary judgment, the court must construe the evidence in its most favorable light in favor of the party opposing the motion and against the movant. Further, the papers supporting the movant are closely scrutinized, whereas the opponent's are indulgently treated." Bohn Aluminum & Brass Corp. v. Stern King Corp., 303 F.2d 425, 427 (6th Cir. 1962).

Turning to Plaintiff's pleadings and drawing all reasonable inferences in favor of Plaintiff, the Court notes that, when liberally construed, Plaintiff's complaint raises two separable claims: that Defendants discriminated against Plaintiff in applying a different method of appraisal (market value rather than replacement cost) with respect to his collateral (Complaint 11 6 and 8a) and that Defendant undervalued Plaintiff's preferred

collateral in a discriminatory manner (Complaint, ¶ 8). Considering Defendants' motion for summary judgment with respect to the former claim, the Court notes that Plaintiff's allegations are rebutted by the affidavits of Thomas Wagner, Group Vice President of Defendant Bank, and Fred Romanoff, Vice President of Defendant Bank. Specifically, with respect to Plaintiff's allegation that white loan applicant Leonard Friedman was allowed to appraise his proffered collateral on a replacement cost basis while Plaintiff was deprived of that opportunity, Mr. Wagner avers that he was aware of the loan arrangement between Friedman and Defendant and that "[a]t no time did Michigan National Bank of Detroit grant to Mr. Friedman or, to my knowledge, any other person, any extension of credit secured by property appraised on a 'replacement cost basis.'" Wagner Aff. ¶ 6.

Generally with respect to Defendant's method of appraisal, Defendants offer the averments of Mr. Romanoff:

Michigan National Bank of Detroit does not value collateral, in determining the lend of collateralization of a loan for commercial purposes, on a "replacement cost" basis. This is because the purpose of collateral is to insure a source of funds adequate to pay unpaid principal and interest if the borrower defaults. The only way collateral can be converted to funds to pay such balances is for it to be sold, and commercial practice, required by law, is for collateral to be sold on the open market. Since replacement cost bears no relationship to what property will be sold for, it cannot prudently be used in any appraisal for collateral purposes.

Romanoff Aff. ¶ 9(b). The Court notes further that Plaintiff has pled no other instance in which a loan applicant was allowed to appraise collateral on a replacement cost basis. Accordingly, there being no genuine issue of material fact with respect to this claim, summary judgment is hereby GRANTED as to the allegations set forth in paragraphs 6 and 8a of Plaintiff's complaint.

Plaintiff raises a second claim in paragraph 8 of the complaint that Defendants discriminated against him by undervaluing the collateral Plaintiff offered to secure the loan. In support of this claim, Plaintiff alleges that Mr. Stuart Mahler, Senior Vice President of Defendant Bank, appraised

Plaintiff's collateral, Larco's Inn, at Seven Hundred Sixty-Nine Thousand Dollars (\$769,000), that the proposed loan was for only Four Hundred Thousand Dollars (\$400,000), and that at such an appraised value the collateral offered was more than sufficient to secure the loan.

Defendants' response to this claim is that the market value of the collateral is equal to the amount of the purchase price of Larco's, Five Hundred Thousand Dollars (\$500,000), and that, since Plaintiff was only required to make a down payment of Three Hundred Thousand Dollars (\$300,000) on Larco's, the proposed loan amounted to 100 percent financing of the transaction.

On the basis of the foregoing, I conclude that there is a genuine question of material fact as to whether Larco's should have been appraised at Seven Hundred Sixty-Nine Thousand Dollars (\$769,000), at Five Hundred Thousand Dollars (\$500,000), or at some other figure. Furthermore, Plaintiff has alleged that his proposed collateral was valued at less than fair market value and that the collateral of at least one white loan applicant, Leonard Friedman, was valued at an amount higher than fair market value. Counter Aff. to Aff. of Wagner ¶ 3. Plaintiff having set forth sufficient allegations by affidavit to raise a genuine issue of fact as to whether he was subjected to disparate treatment by Defendants in the valuation of his proposed collateral, Defendants' Motion for Summary Judgment as to this claim is hereby DENIED without prejudice, and Defendant is invited to file within ten (10) days of the date of this order supplemental affidavits clarifying the following disputed issues of fact: (1) whether or not Group Vice President Mahler appraised Larco's at Seven Hundred Sixty-Nine Thousand Dollars (\$769,000) as alleged by Plaintiff, (2) whether any portion of the Seven Hundred Sixty-Nine Thousand Dollar (\$769,000) appraisal figure represents replacement cost value, and (3) how the bank determined market value for loan purposes.


In the event that Defendants file supplemental affidavits on the foregoing issue, Plaintiff is hereby granted leave to file supplemental counter-affidavits in response within ten (10) days of Defendants' supplemental filings.

Accordingly, Defendant's Motion for Summary Judgment is GRANTED as to Plaintiff's claims set forth in paragraphs 6 and 8a of the Amended Complaint and taken under advisement as to the remainder of Plaintiff's Amended Complaint.

If the motion is ultimately denied, Defendants shall submit an Answer to Plaintiff's Amended Complaint, filed with the Court on August 24, 1981, within ten (10) days of the entry of such order.

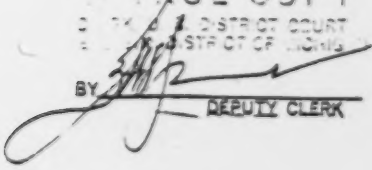
IT IS SO ORDERED.

Date: 28 JAN '82
Detroit, Michigan


PATRICIA J. BOYLE
United States District Judge

A TRUE COPY

U.S. DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN

BY 
DEPUTY CLERK

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

*Filed
2/4/82*

WILLIS W. CHAPMAN,

Plaintiff,

-vs-

Case No. 79-74777
Hon. Patricia Boyle

MICHIGAN NATIONAL BANK,
Subsidiary of MICHIGAN
NATIONAL CORPORATION,

Defendants.

SUPPLEMENTAL AFFIDAVIT OF
JOSEPH DROBOT

STATE OF MICHIGAN)
) SS
COUNTY OF OAKLAND)

JOSEPH DROBOT, being first duly sworn, on oath deposes and
says:

1. I am an officer of Defendant Michigan National Bank of
Detroit and is competent to testify to the matters stated
herein.

2. As stated in his Affidavit of October 3, 1981, I was
present at a meeting with Plaintiff Willis W. Chapman, at which
Group Vice President Stuart Mahler was also present. The purpose
of this meeting was to review an application for SBA insured loan
made by Plaintiff Willis W. Chapman that was previously not
accepted for consideration by Michigan National Bank of Detroit.

3. As stated in my Affidavit of October 3, 1981,

"The purpose of the review conducted by Mr.
Mahler and I was to review the documents sub-
mitted previously by Mr. Chapman and to inform
him why they could not even be considered as
[an application]..."

4. Since this review, and the meeting thereafter, were not for the purpose of considering the extension of credit to Plaintiff Willis W. Chapman, but rather to explain to Plaintiff why his previous application had not been accepted, no formal or informal appraisal of any property, including "Larco's Inn" was ever undertaken by Defendant Michigan National Bank of Detroit.

5. During the meeting with Plaintiff, Deponent and Stuart Mahler discussed the value of the property as suggested by Plaintiff as collateral based upon the statements of value contained in his SBA Loan Application. Since no appraisal was undertaken, no other valuation was used for purposes of the discussions with Plaintiff, but Defendant Michigan National Bank of Detroit, by using Plaintiff's valuation for discussion purposes, did not adopt them as true.

6. Since no appraisal was conducted, the Court's question in its Order of January 28, 1982, whether "any portion of the Seven Hundred Sixty Nine Thousand (\$759,000.00) Dollar appraisal figure represents replacement cost value" is not applicable. However, the documents submitted by Plaintiff Willis W. Chapman in his SBA Loan Application indicates that the Net Book Value of the property was \$818,792.00, Affidavit of Fred Romanoff, Exhibit A thereto, "Summary of Collateral", and the financial statements submitted by Plaintiff to that application indicated the book value of the building, land, equipment, furniture and fixtures to be \$1,249,362.00. While these figures were neither supported by an appraisal nor accountant's certificate tendered by Plaintiff, and could not be accepted as true by Defendant Michigan National Bank of Detroit, they suggest that even Plaintiff Willis W. Chapman did not believe the replacement cost to be \$769,000.00.

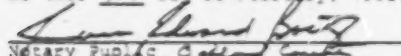
7. The review resulted in several conclusions regarding the inability to grant a loan to Mr. Chapman, as stated in the memorandum of Stuart Mahler, attached to the Affidavit of Fred Romanoff as Exhibit C, which include insufficient collateral, but also note:

- (a) Mr. Chapman's lack of restaurant experience;
- (b) Mr. Chapman's indication on the SBA Loan Application of prior insolvency proceedings and possible criminal record, which would inhibit his ability to obtain a liquor license;
- (c) Mr. Chapman's insufficient liquidity or other-asset equity;
- (d) The absence of any contribution to capital by Mr. Chapman, resulting in 100% funding by the proposed loan and
- (e) Excessively optimistic, and hence unreliable, financial projections and a deficit net worth.

FURTHER DEPONENT SAITH NOT.


JOSEPH PROCTOR

Subscribed and sworn to before
me this 4th day of February, 1982.


Notary Public, California
My commission expires: 11/15/82

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

2/4/82
Filed 2/4/82

WILLIS W. CHAPMAN,

Plaintiff,

-vs-

Case No. 79-74777
Hon. Patricia Boyle

MICHIGAN NATIONAL BANK,
Subsidiary of MICHIGAN
NATIONAL CORPORATION,

Defendants.

SUPPLEMENTAL AFFIDAVIT OF
THOMAS J. WAGNER

STATE OF MICHIGAN)
) SS
COUNTY OF OAKLAND)

THOMAS J. WAGNER, being first duly sworn, on oath deposes
and says:

1. He is an officer of Defendant Michigan National Bank of
Detroit and is competent to testify to the matters stated here-
in.

2. Defendant Michigan National Bank of Detroit determines
the market value of real property for loan purposes by engaging
the services of an independent real estate appraiser and commis-
sioning that person to present a certified appraisal of such
property as to the market value thereof.

FURTHER DEPONENT SAITH NOT.

2 - 1/1/82
THOMAS J. WAGNER

Subscribed and sworn to before
me this 4 day of February, 1982.

L. E. Boyle
Notary Public ROSS E. BOLTE
Oakland County, Michigan
My Commission Expires: 11/24/82

Any national banking association may make real estate loans, subject to the provisions of 12 USC 371. Those loans generally can be defined as loans primarily secured by real property. The law recognizes different types of real estate loans, and, therefore, imposes different limitations and restrictions on them. However, banks may invest a certain amount in real estate loans without regard to legal limit or restrictions. Therefore, it is incumbent upon the bank to categorize real estate loans into:

- Loans secured by a first lien on real property or on a leasehold.
- Loans on real property or leaseholds secured by other than first liens.
- Loans secured by liens on forest lands.
- Loans insured or guaranteed by governmental agencies.
- Loans granted on the general credit standing and forecast of income of the borrower which are secured by liens on real estate as a prudent banking practice. Such loans are not considered real estate loans.
- Loans secured by assigned real estate obligations of others pledged to the bank. Such loans are not subject to the provisions of 12 USC 371 unless the borrower and the mortgagee are the same.
- Real estate construction loans. Such loans require special considerations and are discussed in more detail in "Real Estate Construction Loans."
- Real estate loans secured by liens on real property but in violation of the loan amount to be advanced value limit on individual properties and/or the amortization requirements imposed by 12 USC 371.

Real Estate Loan Policy

The bank must also establish a policy that determines:

- The maximum amount that may be loaned in a given loan.
- The maximum aggregate amount that may be loaned in a given category.
- The maximum aggregate amount that may be loaned on all real estate loans.

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- The need for amortization on certain loans and the amount of annual amortization required.

The degree of nonconformity in a real estate loan depends on the loan amount, the interest rate and other special terms. A consideration of the value of the real property over the anticipated life of the loan is of major importance.

The bank's policies and procedures should include an appraisal program. Appraisals are professional judgments of the present and/or future value of the real property. The following are the general approaches used to determine value:

- **Cost Approach**—In this approach, the replacement cost of the building and improvements is estimated, estimated depreciation is deducted and the value of the site is added. The reliability of such a valuation depends on an appraiser's skill. As the property increases in age, both replacement cost and depreciation become more difficult to estimate.
- **Market Data or Direct Sales Comparison Approach**—The essence of this approach is to determine the price that similar properties have sold for recently on the local market and, through an appropriate adjustment process, to estimate the fair market value of the subject property based on these comparable sales. In general, when adequate sales data are available, an appraiser will give the most weight to this type of estimate. However, when the available market data is not sufficient to justify a conclusion, as comparability in terms of property characteristics, market financing, terms, or timing of sales data decreases, the reliability of estimates based on such factors also decreases.
- **Capitalization of Income Approach**—In this approach, the net income a property is expected to produce over time is converted into an estimate of its present value. The accuracy of this method depends on the appraiser's skill in estimating the anticipated future net income of the property and selecting the appropriate discount rate and method.

In practice, sometimes more than one appraisal method is used and at other times only one may be used to estimate the present and/or future value of real property. However, an appraisal is only one factor to consider in granting credit on real estate.

The bank's real estate loan policy should ensure that loans are granted with the reasonable expectation that the debtor will be able and willing to meet the payment terms. Any loan that does not meet this standard should be regarded as unsound regardless of the security value and favorable ratio of collateral value to the outstanding loan.

Unsound Mortgage Loans

A first mortgage loan generally is unsound if:

- Its liquidation depends on the sale of the underlying real estate.
- The amount of the loan is large relative to the fair value of the property.
- The ability of the obligor to pay is questionable.
- The loan has remained dormant a long time, indicating that its transfer to another obligor through the sale of the realty will become necessary.

Other elements such as interest and tax arrangements can be significant, but they are generally corollaries of the situations outlined above.

A principal indication of an unsound real estate loan is an improper relationship between the amount of the loan, the potential sale price of the property, and the availability of a market. The potential sale price of property may or may not be the same as its appraised value. In dealing with unsound mortgage loans, the current potential sale price or liquidating value of the realty is of primary importance and the appraised value is of secondary importance. There may be little or no current demand for the property at its appraised value and it may have to be disposed of at a sacrifice value.

A mortgage loan should be considered "potential other real estate" when the examiner is reasonably convinced that it will have to be liquidated by a sale of the realty and when no reasonably tangible and definite arrangements for that sale have been made.

The term "mortgagee in possession" refers to one who has lawfully acquired possession of mortgaged premises to enforce the security on such property. When a mortgagee receives the rents or other profits generated by the property, it is not a mortgagee in possession. Unless control of the real estate is removed from the hands of the mortgagor. Generally, a bank that is considered as mortgagee in possession

is not collecting the rents or operating the mortgaged property and has ceased to look to the mortgagor for payment of the loan.

A mortgage loan in which a bank is mortgagee in possession should be considered as potential "other real estate." A bank should not carry such loans for unwarranted periods of time because that conceals the true status of the property. A reasonably solid prospect for transfer or sale of the property and the assumption of the bank's obligation by a new obligor do not develop within a short time, for example 6 months. Steps should be taken to acquire title and to transfer the asset to "other real estate owned." If the bank refuses to do that, such loans should be classified as "other real estate" in the record of examination and the bank should be requested to show them as "other real estate" in their published records of condition. For additional considerations relating to such assets, see the section "Other Real Estate Owned."

Historically, many banks have jeopardized their capital structures by granting ill-considered real estate mortgage loans. Apart from unusual, localized, adverse economic conditions which could not have been foreseen resulting in a temporary or permanent "wash out" of realty values, the principal errors made in granting real estate loans have included:

- Inadequate regard to normal, or even depressed, realty values during periods when it is in great demand, thus inflating the price structure.
- Inadequate regard to mortgage loan amortization.
- Inadequate regard to the maximum debt load and paying capacity of the borrower.
- Failure to reasonably restrict mortgage loans on properties for which there is limited demand.

Examiners must address, not only individual mortgage loans, but also the "other real estate" holdings and administration policies of the bank to ascertain the relative soundness of its mortgage loan operations.

The Office of the Comptroller of the Currency (OCC) recognizes and approves of the inclusion in a majority of national banks the nucleus of the loan portfolio in real estate mortgage loans. Any comments or criticisms of real estate loans should be confined to

The risk of a particular loan policy leading to a loss of real estate loans to the bank is less than the risk of a policy leading to a loss of deposit structure, equity of specific loans, or loss of aggregate real estate loans in violation of a USC 371 and similar laws. Adverse comment on real estate loans as such is against the established policy of the OCC.

The most convincing proof of the quality and soundness of a real estate mortgage loan is a favorable payment history. Conversely, a long payment history

and mortgage loan's never deteriorate to water now adequately protected by the value of the underlying realty. The regular amortization of real estate mortgage loans is essential to their continued soundness and desirability. A few bankers continue to look at only the income earning factor of mortgage loans and are unconcerned about principal reductions; that is a dangerous policy which the examiner should exert every effort to correct.

§ 1691. Scope of prohibition

Activities constituting discrimination

(a) It shall be unlawful for any creditor to discriminate against any applicant, with respect to any aspect of a credit transaction—

(1) on the basis of race, color, religion, national origin, sex or marital status, or age (provided the applicant has the capacity to contract);

(2) because all or part of the applicant's income derives from any public assistance program; or

(3) because the applicant has in good faith exercised any right under this chapter.

Activities not constituting discrimination

(b) It shall not constitute discrimination for purposes of this subchapter for a creditor—

(1) to make an inquiry of marital status if such inquiry is for the purpose of ascertaining the creditor's rights and remedies applicable to the particular extension of credit and not to discriminate in a determination of credit-worthiness;

(2) to make an inquiry of the applicant's age or of whether the applicant's income derives from any public assistance program if such inquiry is for the purpose of determining the amount and probable continuance of income levels, credit history, or other pertinent element of credit-worthiness as provided in regulations of the Board;

(3) to use any empirically derived credit system which considers age if such system is demonstrably and statistically sound in accordance with regulations of the Board, except that in the operation of such system the age of an elderly applicant may not be assigned a negative factor or value; or

(4) to make an inquiry or to consider the age of an elderly applicant when the age of such applicant is to be used by the creditor in the extension of credit in favor of such applicant.

Additional activities not constituting discrimination

(c) It is not a violation of this section for a creditor to refuse to extend credit offered pursuant to—

(1) any credit assistance program expressly authorized by law for an economically disadvantaged class of persons;

(2) any credit assistance program administered by a nonprofit organization for its members or an economically disadvantaged class of persons; or

(3) any special purpose credit program offered by a profit-making organization to meet special social needs which meets standards prescribed in regulations by the Board;

if such refusal is required by or made pursuant to such program.

Reason for adverse action; procedure applicable; definition

(d)(1) Within thirty days (or such longer reasonable time as specified in regulations of the Board for any class of credit transaction) after receipt of a completed application for credit, a creditor shall notify the applicant of its action on the application.

(2) Each applicant against whom adverse action is taken shall be entitled to a statement of reasons for such action from the creditor. A creditor satisfies this obligation by—

(A) providing statements of reasons in writing as a matter of course to applicants against whom adverse action is taken; or

(B) giving written notification of adverse action which discloses (i) the applicant's right to a statement of reasons within thirty days after receipt by the creditor of a request made within sixty days after such notification, and (ii) the identity of the person or office from which such statement may be obtained. Such statement may be given orally if the written notification advises the applicant of his right to have the statement of reasons confirmed in writing on written request.

(3) A statement of reasons meets the requirements of this section only if it contains the specific reasons for the adverse action taken.

(4) Where a creditor has been requested by a third party to make a specific extension of credit directly or indirectly to an applicant, the notification and statement of reasons required by this subsection may be made directly by such creditor, or indirectly through the third party, provided in either case that the identity of the creditor is disclosed.

(5) The requirements of paragraph (2), (3), or (4) may be satisfied by verbal statements or notifications in the case of any creditor who did not act on more than one hundred and fifty applications during the calendar year preceding the calendar year in which the adverse action is taken, as determined under regulations of the Board.

(6) For purposes of this subsection, the term "adverse action" means a denial or revocation of credit, a change in the terms of an existing credit arrangement, or a refusal to grant credit in substantially the amount or on substantially the terms requested. Such term does not include a refusal to extend additional credit under an existing credit arrangement where the applicant is delinquent or otherwise in default, or where such additional credit would exceed a previously established credit limit.